THE LOMBARD REVIEW

VOL. I NO. 3 | Sunday, October 18, 2026 | SUNDAY DIGITAL EDITION

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MARKETS

Sensex	74,729	+3.1%
Nifty 50	23,146	+2.8%
₹ per $	94.52	-2.4%
Brent	109.86	+4.9%
Gold	4,181	-0.8%

Inflation jumps to 5.54 per cent, the highest in almost two years

Consumer prices rose 5.54 per cent in the year to September, up from 4.83 per cent in August, as food inflation reached 7.74 per cent. Onions cost more than twice what they did a year ago.

BY ARNAV GOEL



A produce section in a grocery store. ANDRE CARROTFLOWER / CC BY-SA 4.0

India's consumer price inflation rose to 5.54 per cent in September from 4.83 per cent in August, the statistics ministry said on Monday. It was the fourth month in a row above the Reserve Bank of India's 4 per cent target and, by one report, the highest reading since October 2024. Economists polled by Reuters had expected 5.40 per cent.

The jump came five days after the RBI raised its repo rate to 5.50 per cent and warned that rising prices were spreading. The September figure supports that warning. It is already close to the 6.0 per cent the central bank expects for October to December, and the quarter has barely begun.

FOOD DID MOST OF THE WORK

Food inflation, measured by the Consumer Food Price Index, rose to 7.74 per cent from 5.97 per cent. The index for food and beverages, which carries more weight than any other group, rose 7.36 per cent. Within it a few items moved a long way. Onion prices were 108.09 per cent higher than a year earlier, against 48.78 per cent in August. Ginger was up 62.85 per cent, garlic 54.62 per cent and lemons 36.41 per cent.

Not everything rose. Potatoes were 11.50 per cent cheaper than a year ago and tomatoes 8.62 per cent cheaper. Prices of cars and jeeps fell 4.51 per cent, still reflecting last year's cut in goods and services tax.

Outside food, the biggest rise was in the group that includes personal care and jewellery, up 13.75 per cent. Silver jewellery alone was 87.80 per cent dearer than a year earlier. Restaurant and hotel prices rose 9.36 per cent and transport 5.01 per cent. Housing, water, electricity and fuel rose only 2.74 per cent and health 1.40 per cent.

VILLAGES HIT HARDER THAN TOWNS

Inflation was 6.08 per cent in rural areas and 4.88 per cent in urban ones. The gap comes from food, which takes a larger share of a village household's spending. Rural food inflation was 8.06 per cent, against 7.18 per cent in towns. Among large states, Tamil Nadu had the highest inflation at 6.81 per cent, followed by Odisha at 6.70 per cent, Madhya Pradesh at 6.68 per cent, Telangana at 6.64 per cent and Andhra Pradesh at 6.29 per cent.

The index now uses 2024 as its base year, so comparisons with older series need care. But the direction is clear. Prices that rose because of a supply shock, in onions and in fuel, are being joined by prices that move with wages and demand, such as meals out.

WHAT THE RBI WILL READ INTO IT

The monetary policy committee next meets from December 2 to 4. Before then it will see the October figure, due on November 12. Two things matter for that decision. The first is whether onion prices fall as the new harvest arrives; traders expect relief towards the end of October. The second is whether the rise outside food continues.

A simple calculation shows the pressure on the committee. With the repo rate at 5.50 per cent and inflation at 5.54 per cent, the real policy rate is now slightly below zero. A central bank that wants positive real rates while it expects inflation of about 6 per cent in the coming months would need a repo rate above 6 per cent. Several forecasters, including SBI Research, have already pencilled in 6 per cent.

Wholesale prices, published two days later, pointed the same way. Wholesale inflation rose to 11.39 per cent in September, driven by fuel. Costs at the factory gate tend to reach shop shelves with a lag, which makes it harder to argue that September was the peak.

The RBI curbs currency speculation and the rupee has its best week in seven months

New limits on rupee derivatives and a dollar window for oil companies helped the currency gain about 2 per cent. The defence is still costing reserves, which fell $8.58 billion in a week.

BY ARNAV GOEL

The rupee rose about 2 per cent against the dollar in the week to Friday, its strongest week in seven months, after the Reserve Bank of India changed the rules of the market it trades in. On Friday, October 9, the rupee had closed at 96.72 to the dollar, near its record low of 96.96 set in May. By Friday it was trading near 94.96.

The turnaround followed measures announced on Saturday, October 10, which took effect at once. They did not involve a large sale of dollars. Instead, they made it harder to bet against the rupee.

WHAT CHANGED

The first measure bans rebooking. A company or investor that cancels a rupee derivative contract, such as a forward agreement to buy dollars, can no longer book a new one in its place. Rolling a contract over when it matures is still allowed. Governor Sanjay Malhotra explained why in an interview on Tuesday. In some cases, he said, about one-third of foreign exchange derivative trades were being closed or cancelled on the same day they were made, a sign that they were bets on the rupee rather than hedges for trade.

The second cuts the amount of hedging allowed without proof of a real exposure, such as an import bill, from $100 million to $5 million, across all banks combined. The same $5 million limit now applies to rupee futures and options on the stock exchanges. Banks must also get a written undertaking that a client has not hedged the same exposure with another bank.

The third makes hedging more expensive. For contracts above $2 million in which a customer buys foreign currency against the rupee to cover current-account payments, banks must leave a cash reserve with the RBI equal to 20 per cent of the rupee value of the contract. That cash earns nothing, and the cost is passed on.

OIL COMPANIES OFF THE MARKET

Separately, from Monday the RBI began selling dollars directly to Indian Oil, Hindustan Petroleum and Bharat Petroleum to meet their full daily needs. The three state companies are the largest buyers of dollars in the market, because India imports most of its crude. Taking their demand out of the market removes the biggest regular source of pressure on the rupee. The RBI has not said how many dollars it expects to supply. It used the same tool in 2013 and closed it once the rupee had steadied.

THE COST

The window does not save

Continued

IT shares have their best week in 18 years

The Nifty IT index rose about 11.7 per cent after HCLTech and Tech Mahindra reported strong quarters. Tech Mahindra, TCS and Infosys led the market.

BY ARNAV GOEL

Shares of Indian software companies rose by about 11.7 per cent in the week to Friday, the Nifty IT index's biggest weekly gain in 18 years. Tech Mahindra rose 18.22 per cent, TCS 14.33 per cent and Infosys 13.46 per cent, making them the three best performers in the Nifty 50. The sector's rally lifted the whole market: the Nifty rose 2.78 per cent in the week, and on Friday the IT index alone gained 3.92 per cent.

The move was driven by results that beat expectations, not by the currency. A weak rupee raises the rupee value of the dollars that IT companies earn, but this week the shares rose even as the currency recovered by about 2 per cent, which suggests investors were buying the results rather than the exchange rate.

HCLTECH SETS THE TONE

HCLTech reported on Monday. Its net profit for July to September rose 21.2 per cent from a year earlier to ₹5,132 crore, and 11 per cent from the previous quarter. Revenue rose 11.5 per cent to ₹35,620 crore. The operating margin, measured by earnings before interest and tax, was 18.2 per cent, up 1.31 percentage points on the quarter.

The figure investors watched most was new business. HCLTech signed contracts worth $3.26 billion in the quarter, up 27 per cent on a year earlier, and its chief executive, C. Vijayakumar, said first-half bookings were at a record. Revenue from what the company calls advanced artificial intelligence work reached $219 million, up 78 per cent on a year earlier in constant currency. It expects revenue growth of 2.5 to 4 per cent in constant currency for the full year. The board declared a dividend of ₹12 a share.

Not every part grew. Revenue from HCLSoftware, its products business, fell 11.2 per cent.

MARGINS RATHER THAN GROWTH

Tech Mahindra reported on Thursday and its shares jumped about 7 per cent the next morning. Its net profit rose 32.7 per cent to about ₹1,586 crore and its margin rose to 14.8 per cent from 12.1 per cent a year earlier. Wipro, which reported the same day, was weaker: its IT services revenue was flat on the quarter in constant currency and it forecast between a 1.5 per cent fall and a 0.5 per cent rise for October to December. The results of both are covered elsewhere in this issue.

The pattern is that profits are growing faster than revenue. Companies are cutting costs, using more automation and taking on more profitable work, while their clients in America and Europe remain cautious. That raises a question about how far the rally can run. A margin can only rise so far. Lasting gains need revenue growth, and the guidance from HCLTech and Wipro points to low single digits for this year.

Infosys, which reports on October 23, will be the next test. Its shares rose 13.46 per cent this week, before a single number was published.

India

The RBI curbs currency speculation and the rupee has its best week in seven months

Continued

reserves. It moves the dollar sales from the market to the RBI's own books. Reserves fell $8.58 billion to $726.03 billion in the week to October 9, the RBI said on Friday, after a fall of $12.95 billion the week before. They have dropped about $60 billion from the record $785.71 billion reached in the week of September 4. Foreign currency assets fell $7.14 billion in the latest week and the value of gold holdings $1.32 billion.

Mr Malhotra said the RBI would consider further steps if needed and was determined to keep the market orderly. The rules work by reducing demand for dollars, but the reasons for that demand remain: Brent crude near $108 a barrel and foreign investors who withdrew about ₹9,000 crore from Indian shares this week. If those persist, the currency's gain will depend on how long the RBI is willing to keep selling.

India in brief

Stricter cash rule for banks. From October 16 banks must hold at least 99 per cent of their required cash reserves with the RBI every day, up from 90 per cent. The overall cash reserve ratio is unchanged, but banks lose flexibility in managing day-to-day funds.

Bond sale cleared. The RBI sold ₹25,000 crore of government securities on October 13 to absorb surplus cash. Cut-off yields ranged from about 7.14 per cent on a 2030 bond to about 7.39 per cent on a 2033 bond.

Tech Mahindra bonus. Tech Mahindra's board recommended a one-for-one bonus issue and declared an interim dividend of ₹15 a share, with a record date of October 23. Its shares rose 18.22 per cent in the week.

HCLTech dividend. HCLTech declared a dividend of ₹12 a share after a 21.2 per cent rise in quarterly profit. Its new deal wins of $3.26 billion took first-half bookings to a record.

Two-wheelers rise. Two-wheeler sales rose to 24.63 lakh units in September from 21.70 lakh a year earlier, SIAM said, while passenger vehicle exports fell 5.2 per cent to 2.29 lakh units.

Trade talks with America. Commerce minister Piyush Goyal said on October 10 that the trade deal with America would be finalised in light of changed circumstances since a February framework, which cut the American tariff on Indian goods to 18 per cent from 50 per cent. Finance minister Nirmala Sitharaman said talks had reached a "plateau".

Reserves far from the peak. Despite four weeks of falls, India's foreign exchange reserves of $726.03 billion were $34.92 billion higher than at the end of March and $28.24 billion higher than a year earlier.

Gold steadies. The December gold contract on MCX traded at ₹1,47,427 on October 15, up 1.08 per cent on the day but well below the ₹1,62,948 seen in late August.

Rural price pressure. Rural food inflation was 8.06 per cent in September, against 7.18 per cent in towns. Tamil Nadu had the highest headline inflation among large states, at 6.81 per cent.

Wholesale inflation climbs to 11.39 per cent on fuel costs

Prices at the factory gate rose at their fastest pace in this cycle, led by fuel and power at 25.85 per cent. Manufactured goods are now rising almost 10 per cent a year.

BY ARNAV GOEL



A steelworks. MAREK ŚLUSARCZYK / CC BY 3.0

Wholesale prices in India rose 11.39 per cent in the year to September, the commerce ministry said on Wednesday, up from 9.92 per cent in August. Economists polled by Reuters had expected about 10.18 per cent. The overall index rose to 112.5 from 110.8 in a single month.

The wholesale price index measures what producers and traders pay, before taxes and retail margins. It matters to consumers because those costs reach shops later. When wholesale inflation runs at twice the rate of consumer inflation, as it does now, businesses are absorbing costs they have not yet passed on.

FUEL LEADS, FACTORIES FOLLOW

The biggest contribution came from fuel and power, where prices were 25.85 per cent higher than a year earlier, against 22.93 per cent in August. The ministry pointed to crude petroleum and natural gas, coal and lignite, and mineral oils. With Brent crude above $100 a barrel for much of the past month and the rupee near record lows, India's import bill for energy is far higher in rupee terms than a year ago.

The more worrying number was manufactured products, which make up the largest part of the index. Their prices rose 9.76 per cent, up from 8.37 per cent. The ministry listed basic metals, chemicals, textiles, rubber and plastics, and electrical equipment among the contributors. This is what happens when the cost of energy works its way through factories: a higher price for fuel becomes a higher price for steel, then for the machines made from it.

Primary articles, which include farm produce and minerals, rose 8.67 per cent from 7.76 per cent. The wholesale food index rose 8.66 per cent from 7.05 per cent, broadly in line with the rise in retail food prices.

WHY IT MATTERS FOR THE RBI

The Reserve Bank targets consumer prices, not wholesale ones. But the gap between the two matters. Consumer inflation was 5.54 per cent in September. A wholesale rate of 11.39 per cent means companies' input costs are rising about twice as fast as the prices they charge households. That squeezes profits, and it also creates pressure for later price rises once firms decide they can no longer absorb the difference.

Nestlé India gave an example this week. Its quarterly profit rose sharply, but the company warned that rising commodity costs and food inflation remain a challenge. Many companies with less pricing power will face the same choice between thinner margins and higher prices.

The September figure is provisional and is based on a weighted response rate of 83.4 per cent, so it may be revised. The July figure was confirmed at 9.78 per cent. The October figure is due on November 16, before the RBI's December meeting.



Madras Port, with buildings on Rajaji Road in the background. IPSINGH / PUBLIC DOMAIN

Exports hit a September record of $44.4 billion

Merchandise exports rose 23 per cent from a year earlier. Imports grew more slowly, so the trade deficit narrowed to $30.21 billion, though it widened from August.

BY ARNAV GOEL

India's merchandise exports rose 23.04 per cent from a year earlier to $44.40 billion in September, the commerce ministry said on Thursday, the highest ever for the month. Imports rose about 8 per cent to $74.61 billion. The trade deficit, the gap between the two, narrowed to $30.21 billion from $33 billion in September last year.

Commerce Secretary Rajesh Agrawal said exports were maintaining their growth momentum, and that if the trend of the first half continued, merchandise exports would pass $500 billion in the financial year ending in March 2027.

THE HALF-YEAR PICTURE

The cumulative figures make his forecast plausible. Exports for April to September were $259.89 billion, up 18.51 per cent on the same period last year. At that pace a second half of a similar size would take the total to roughly $520 billion. Counting services, total exports in September were estimated at $80.75 billion, up 10.99 per cent.

The imports side is less comfortable. Imports for the half-year rose 16.31 per cent to $437.53 billion, leaving a cumulative merchandise deficit of $177.64 billion, against $156.88 billion a year earlier. September's monthly deficit was smaller than last year's but larger than August's $26.86 billion, as imports jumped.

WHY THE DEFICIT MATTERS NOW

A wider trade gap means more rupees being sold to buy dollars, and the rupee has spent much of the year close to record lows. Oil is the main reason: India imports most of its crude, and Brent has been above $100 a barrel for most of the past month. Every $10 rise in the price of a barrel adds billions of dollars a year to the import bill.

Strong exports help in two ways. They bring dollars in, which offsets part of the oil bill, and they show that Indian goods remain competitive despite the global slowdown the IMF expects. The weak rupee itself plays a part: it makes Indian goods cheaper abroad.

The figures also arrive while India is still negotiating a trade agreement with America. A framework agreed in February cut the American tariff on Indian goods from 50 per cent to 18 per cent, but the full deal is not signed. Piyush Goyal, the commerce minister, said on October 10 that the final agreement would reflect circumstances that had changed since February. India is also due to begin trade talks with Mexico.

The question for the second half is whether exports can keep growing at close to 20 per cent while oil stays expensive. If they can, the trade deficit will stay manageable. If they slow, the burden of defending the rupee will fall even more heavily on the RBI's reserves.

Shares rise 3 per cent as software companies lead

The Sensex rose 3.11 per cent and the Nifty 2.78 per cent, carried by software companies. Foreign investors kept selling and domestic funds kept buying.

BY ARNAV GOEL

Indian shares had a strong week. The Sensex closed on Friday at 74,729.27, up 2,256.94 points or 3.11 per cent. The Nifty 50 rose 625.70 points, or 2.78 per cent, to 23,146.15, close to its high for the week of 23,149.85. The Bank Nifty gained 1.06 per cent to 55,844.00.

It did not start well. On Monday both indices fell about 0.7 per cent on worries about inflation, high crude prices and foreign selling, despite the RBI's weekend measures to support the rupee. On Tuesday they rebounded sharply, the Sensex gaining 1,109.10 points, on short covering, buying of IT shares and hopes that the government might review the securities transaction tax. Wednesday brought a pause as crude rose above $106 a barrel. Thursday was the strongest day, with the Sensex up 1,533.72 points, and Friday added 413.66 more.

ONE SECTOR DID THE LIFTING

Twelve of 16 major sectors rose. But the gains were concentrated. The Nifty IT index rose about 11.7 per cent, its best week in 18 years, after strong results from HCLTech and Tech Mahindra. Tech Mahindra, TCS and Infosys were the three best performers in the Nifty 50. Small companies lagged.

The worst performers were defensive and domestic names. Nestlé India fell 5.06 per cent despite a 36 per cent rise in quarterly profit, Max Healthcare fell 4.28 per cent and IndiGo, the airline, 3.02 per cent. On Friday, consumer durables, FMCG and property shares all fell while IT rose 3.92 per cent.

WHO WAS BUYING

The tug of war between foreign and domestic investors continued. Foreign institutions sold a net ₹8,990.50 crore of shares over the five sessions, including ₹5,285.37 crore on Thursday alone. Domestic institutions, mainly mutual funds, bought a net ₹7,812.81 crore. Foreign selling for the month has reached about ₹52,100 crore, taking the total for 2026 to about ₹3.12 lakh crore.

On Friday foreign investors were net buyers for the first time in a while, of ₹1,165.92 crore. One analyst called it tactical rather than a change in sentiment.

India VIX, a measure of expected volatility, ended the week at about 14. The calm is notable given the backdrop: Brent crude near $108 a barrel, consumer inflation at 5.54 per cent and an RBI that has just started raising rates. The market's recovery rests on a narrow base, and the week ahead brings the largest share sale in India's history, from Jio Platforms, which will draw heavily on domestic money.



The Kolkata skyline from Vidyasagar Setu. INNOCENTBUNNY / CC BY-SA 3.0

Big banks grow loans fast but margins are thinning

ICICI Bank's profit rose 20 per cent and Axis Bank's 38 per cent, while HDFC Bank managed 4.7 per cent. All three are lending faster than they can gather cheap deposits.

BY ARNAV GOEL

India's three largest private banks reported their results for July to September on Saturday. All three showed strong lending and cleaner books. All three also showed the same pressure: deposits are getting more expensive, and the margin a bank earns between what it pays depositors and what it charges borrowers is shrinking.

ICICI BANK: GROWTH AT A PRICE

ICICI Bank's standalone net profit rose 20.1 per cent from a year earlier to ₹14,843 crore. Including its subsidiaries, profit rose 22.3 per cent to ₹16,333 crore, and net interest income, the difference between interest earned and interest paid, rose 15.9 per cent to ₹30,336 crore. Its loans grew 30 per cent to ₹18.32 lakh crore.

The weak spot was its net interest margin, which fell to 4.18 per cent from 4.36 per cent in the previous quarter. A fall of 0.18 of a percentage point on a loan book of more than ₹18 lakh crore is a large sum. Its gross bad loans were 1.20 per cent of advances and it has set aside provisions covering 75 per cent of them.

AXIS BANK: A LOW BASE

Axis Bank's net profit rose 38 per cent to ₹7,003 crore, though much of that reflects a weak quarter a year ago, when it set aside ₹1,231 crore for two discontinued crop-loan products on the RBI's advice. Net interest income rose 12 per cent to ₹15,371 crore and core operating profit 11 per cent to ₹10,998 crore. Loans grew 23 per cent to ₹13.74 lakh crore and deposits 21 per cent to ₹14.52 lakh crore. Corporate loans rose 34 per cent and loans to small businesses 25 per cent. Its gross bad-loan ratio fell to 1.16 per cent from 1.28 per cent.

HDFC BANK: THE SLOWEST OF THE THREE

HDFC Bank, the largest, reported a net profit of ₹19,510 crore, up 4.7 per cent and slightly below a CNBC-TV18 poll estimate of ₹19,567 crore. Most of the shortfall came from lower trading gains: treasury income fell to about ₹780 crore from about ₹2,390 crore a year earlier. Excluding treasury gains, profit rose about 12.6 per cent.

Its net interest income rose 9.7 per cent to about ₹34,620 crore. Deposits grew 18.8 per cent to ₹33.27 lakh crore, faster than gross advances, which rose 16.3 per cent to ₹32.20 lakh crore. That brought its ratio of loans to deposits down to about 97 per cent from about 99 per cent. But the deposits it is gathering are dearer. Its share of current and savings accounts, which pay little or no interest, fell to 31.6 per cent from 33.9 per cent, while term deposits grew 22.8 per cent. Gross bad loans fell to 1.11 per cent from 1.24 per cent.

THE SQUEEZE AHEAD

The common thread is funding. Bank credit is growing at about 19 per cent, and banks are paying more to fund it. The RBI's rate rise on October 7 will add to that pressure. Loans linked to the repo rate reprice quickly, which helps margins at first, but deposit rates follow over the next few quarters. Meanwhile the RBI is draining surplus cash from the system and, from October 16, requires banks to keep 99 per cent of their required cash reserves on deposit every day, up from 90 per cent. Each step makes money a little dearer for banks, and margins are likely to stay under pressure until deposit growth catches up with lending.



The Gateway of India. DARSHULA / CC0

Bond yields rise for an eighth straight week

The RBI sold ₹25,000 crore of government bonds to drain cash, and the 10-year yield went above 7.35 per cent. Banks also face a stricter daily rule on cash reserves.

BY ARNAV GOEL

Yields on Indian government bonds rose for an eighth week in a row as the Reserve Bank of India kept removing cash from the banking system. The benchmark 10-year bond, the 6.94 per cent security maturing in 2036, opened on Monday at a yield of 7.3553 per cent, up from 7.2994 per cent at the close on Friday, October 9. The yield closed at 7.19 per cent on September 30, then a two-and-a-half-year high, and is now close to the 7.46 per cent it reached in early 2023, at the peak of the last tightening cycle.

Yields rose about 9 basis points in the week to October 9, after about 45 basis points over the previous seven weeks. A basis point is one hundredth of a percentage point. When a bond's yield rises, its price falls, so investors holding long-dated government debt have lost money for two months.

THE BOND SALE

On Tuesday the RBI sold ₹25,000 crore of government securities through an open market operation, which it had announced on October 9. When the RBI sells bonds, the banks that buy them pay with cash, which leaves the system. The sale covered six securities. Cut-off yields ranged from about 7.14 per cent on the 2030 bond to about 7.39 per cent on the 2033 bond.

The sale follows about ₹1 lakh crore of such sales in September and a rate rise to 5.50 per cent on October 7. Governor Sanjay Malhotra has said the large surplus of cash in the banking system is unlikely to last beyond this financial year and that the RBI wants the overnight interbank rate to move up to the repo rate. Draining cash is how it gets there.

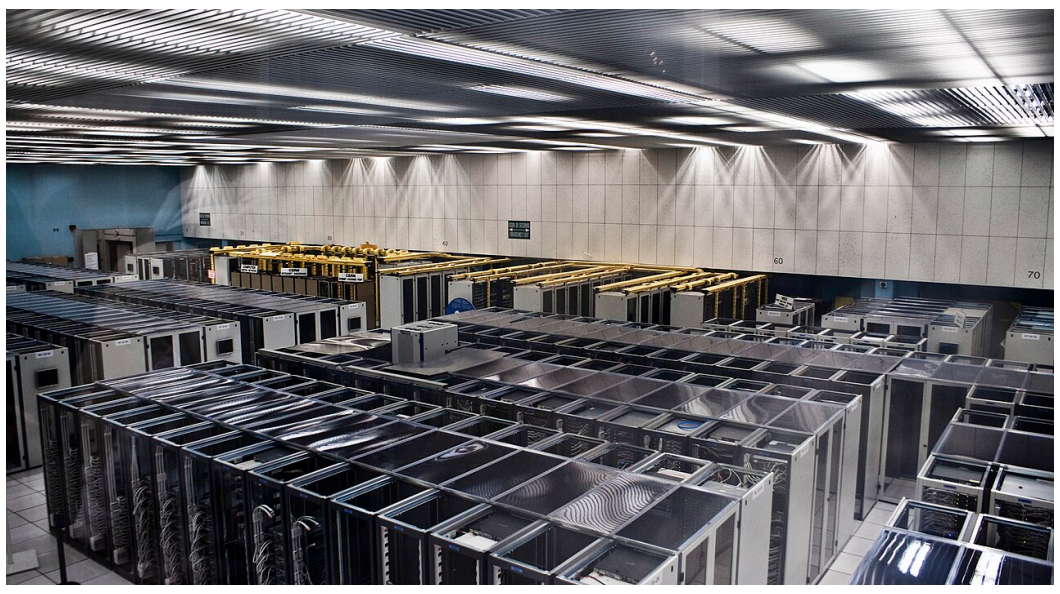
A TIGHTER DAILY RULE

The RBI added another squeeze that took effect on Friday. Banks must keep a fixed share of their deposits, the cash reserve ratio, with the central bank. They need to meet the requirement on average over a fortnight, but on any single day they must hold at least a minimum share. That daily minimum rose to 99 per cent from 90 per cent. The overall ratio is unchanged, but banks lose the flexibility to dip below it for a few days and make up later. In practice they will need to hold more spare cash, and they will bid more for funds in the overnight market.

SUPPLY ON TOP

The government is also borrowing heavily. Its calendar for October to March, published on September 25, plans ₹7.86 lakh crore of dated bonds through 23 weekly auctions of mostly ₹33,000 crore to ₹36,000 crore. Ten-year paper makes up 26.3 per cent of the total. That is about ₹1.2 lakh crore less for the full year than the budget assumed, because the government swapped bonds due this year for longer ones, but it still means a steady weekly supply into a market where the biggest buyer of recent years, the RBI, has become a seller.

Dealers quoted by local media said inflation uncertainty and the risk of further rate rises are keeping investors away from long-dated bonds. The September consumer price figure of 5.54 per cent will not have changed their minds.



A server room. FLORIAN HIRZINGER / CC BY-SA 3.0

Jio Platforms sets the price for India's biggest share sale

The telecoms arm of Reliance will sell up to 27 crore new shares at ₹1,065 to ₹1,119 each, raising as much as ₹30,213 crore. The offer opens on October 21.

BY ARNAV GOEL

Jio Platforms, the digital and telecoms company controlled by Reliance Industries, set a price band of ₹1,065 to ₹1,119 a share for its initial public offering, according to a filing by Reliance on Wednesday. At the top of the band the issue would raise about ₹30,213 crore, more than the ₹27,870 crore raised by Hyundai Motor India in October 2024, the largest Indian share sale until now.

The offer opens to the public on Wednesday, October 21, and closes on Friday, October 23. Bidding for anchor investors, large institutions that commit before the public offer, is set for October 19. The basis of allotment is expected on October 26, and the shares are tentatively due to list on the National Stock Exchange and BSE on October 28, though one report gives October 29.

NEW MONEY, NOT A SELL-DOWN

The issue consists only of new shares, up to 27 crore of them, with no sale by existing shareholders. That distinguishes it from many large Indian listings, in which a parent or private equity investor sells part of its stake. The money will go mainly to repay borrowings of Reliance Jio Infocomm, the telecoms operator and Jio Platforms' main subsidiary, and for general corporate purposes. Jio had 524.4 million customers at the end of March.

The smallest bid is 12 shares, or ₹13,428 at the top of the band, and employees get a discount of ₹54 a share. Up to half the net issue is set aside for qualified institutional buyers, at least 35 per cent for non-institutional investors and at least 15 per cent for retail individuals. Nineteen banks are managing the sale.

CAN THE MARKET ABSORB IT

The size matters for the rest of the market. Foreign investors have sold about ₹3.12 lakh crore of Indian shares this year. Domestic institutions have more than made up for it, with net purchases of more than ₹5 lakh crore. A ₹30,000 crore issue will draw on the same pool of domestic money, and fund managers may sell other shares to make room.

Demand for new issues has been strong. This year 96 companies have raised more than ₹1.1 lakh crore through initial offers, and HD Fire Protect's issue this week was bid for about 131 times over. But a smaller issue can be oversubscribed by a few large bids. An offer of this size needs breadth.

The price band is also lower than earlier reports had suggested. One outlet had reported a possible band of ₹1,150 to ₹1,220. Pricing below that may leave room for a gain on listing day, which helps attract retail investors. The final price will be fixed after bidding closes.



A worker assembling metal parts on a factory production line. SHIXART1985 / CC BY 2.0

A fire-safety maker draws bids worth 131 times its offer

HD Fire Protect's ₹712 crore issue was swamped by institutions, while Fusion CX's ₹702 crore offer was covered 4.68 times. The gap shows how selective demand for new shares has become.

BY ARNAV GOEL

Two companies sold shares to the public this week, and investors treated them very differently. HD Fire Protect, which makes fire protection equipment, received bids for about 131 times the shares on offer when its issue closed on Thursday. Fusion CX, a customer-service outsourcing company, was covered 4.68 times when its offer closed on Friday.

HD FIRE PROTECT

HD Fire Protect sold shares at ₹258 to ₹271 each, raising ₹712.31 crore. All of it was an offer for sale by existing shareholders, so none of the money goes to the company. Founded in 1997, it makes sprinklers, alarm and deluge valves, foam systems and other equipment for automatic fire suppression, from plants in Jalgaon and Thane in Maharashtra. Its customers include oil and gas companies, power stations, pharmaceutical makers and data centres, and it says it supplies more than 90 countries.

Demand built slowly and then surged. After the first day the issue was covered 4.66 times and after the second 11.59 times. On the last day, figures at 4:44 pm showed qualified institutional buyers bidding for 256.65 times their portion, non-institutional investors 202.60 times and individuals 28.83 times. In all, bids came in for about 240.83 crore shares against 1.84 crore available outside the anchor book. The shares were due to list on October 21.

Such numbers need careful reading. When an issue is heavily oversubscribed, most bidders get few or no shares, and large investors bid for far more than they want, knowing their allotment will be cut. The multiple measures enthusiasm, not money that will actually be invested.

FUSION CX

Fusion CX sold shares at ₹275 to ₹289, with a final price of ₹289. Of its ₹702 crore issue, ₹500

Continued



The interior of a shopping mall. MBH / CC BY 4.0

Merchants start paying for large UPI payments

From Thursday, shops pay a fee of 0.4 per cent on UPI payments above ₹2,000, capped at ₹300. It ends almost six years of free merchant payments on the system.

BY ARNAV GOEL

On Thursday, October 15, India started charging merchants for some payments made through the Unified Payments Interface, the system that handles most digital payments in the country. For the first time in almost six years, a shop that receives a UPI payment of more than ₹2,000 pays a fee, called the merchant discount rate, of 0.4 per cent of the amount.

The fee is capped at ₹300, which is reached on payments of ₹75,000 or more. On a payment of ₹2,000 it works out to ₹8. Payments of ₹2,000 or less remain free, and so do transfers between individuals of any size.

WHO PAYS WHAT

The rules have several tiers. Railways, telecoms, insurance, fuel and agricultural inputs pay a flat ₹5 on payments above ₹2,000, as do government utility bills such as electricity, water and piped gas, and school and university fees. The government says these categories make up about 17 per cent of the number of payments to merchants but about 46 per cent of their value. Payments for mutual funds, securities and stockbrokers pay 0.02 per cent, also capped at ₹300.

Small merchants are exempt. That covers vendors receiving up to ₹1 lakh a month through UPI QR codes directly into their bank accounts.

Customers are not supposed to notice. "Customers will not be required to pay any charge when making such payments through UPI," the finance ministry said. Payment apps may not add platform fees, and banks must make sure merchants do not pass the cost on.

WHY CHARGE AT ALL

The government's case is that UPI needs money for its upkeep. Banks and payment apps have carried the cost of running the system, preventing fraud and handling complaints, while earning nothing on most merchant payments since January 2020. The

Continued

A fire-safety maker draws bids worth 131 times its offer

Continued

crore was new shares and ₹202 crore a sale by existing holders. Qualified institutions bid for 4.21 times their portion, non-institutional investors 4.73 times and retail investors 5.99 times. The grey market, an informal and unofficial market in shares before they list, put a premium of ₹18 on the stock on October 19. Its shares were due to list on October 22.

A CROWDED CALENDAR

The difference between the two says something about what investors want. A manufacturer serving energy, infrastructure and data centres fits several themes the market likes. A company selling outsourced customer service faces questions about how artificial intelligence will change its business.

The calendar is full. Jio Platforms opens its ₹30,213 crore offer on October 21, the largest in Indian history. So far this year 96 companies have raised more than ₹1.1 lakh crore through initial offers. With foreign investors selling Indian shares, most of that money has come from domestic funds and individuals, and they are becoming choosier about what they buy.

Merchants start paying for large UPI payments

Continued

National Payments Corporation of India says the new revenue will be shared among the companies that process each payment and spent on infrastructure, cybersecurity, innovation and customer service.

The fee touches a small share of transactions. Payments to merchants of up to ₹2,000 account for more than 95 per cent of their number. Transfers between people make up 37 per cent of UPI's volume and 70 per cent of its value, and stay free. But the money is not small. Bernstein, a broker, estimates the fee could bring payment apps up to $1.1 billion a year by March 2028.

THE RISKS

There are two. The first is that larger merchants nudge customers towards cash or other methods for big purchases, or quietly raise prices, despite the rules. The second is competition. PhonePe and Google Pay handle about 80 per cent of UPI payment value. A fee shared by volume will flow mostly to them, which may entrench their lead rather than help smaller rivals. How the money is divided will decide whether the change makes UPI stronger or simply more concentrated.



Vegetables in a supermarket produce section. MATTHEWHOOBIN / CC0

Onions at ₹50 to ₹65 a kilo strain festive budgets

Retail onion prices are about double last year's as stored stocks run low and the new crop arrives late. Relief is expected towards the end of October.

BY ARNAV GOEL

Onions, a staple in almost every Indian kitchen, have become the single biggest contributor to the rise in food prices. Retail prices were between ₹50 and ₹65 a kilo in mid-October, according to one report, nearly double the level a year ago. The national average was ₹52.68 a kilo on October 15, against ₹26.64 on the same day last year.

The official figures show the same thing. In the consumer price index for September, onion prices were 108.09 per cent higher than a year earlier, the steepest rise of any item, up from 48.78 per cent in August. Onions carry a weight of about 0.7 per cent in the index, small on its face, but a doubling in their price adds noticeably to food inflation, which reached 7.74 per cent.

HOW THE SHORTAGE BUILT UP

India grows onions in more than one season. About half the crop comes from the rabi harvest in April and May, and is stored and sold through the monsoon months until the kharif crop arrives in the autumn. This year that chain broke at both ends.

Unseasonal rain and hailstorms in Maharashtra in March and April damaged the late rabi crop. Then high temperatures raised demand and sped up the spoiling of stored onions, so stocks ran down faster than usual. The RBI has noted that onion prices had risen about 84 per cent since the end of June, because of depleted and spoiled stocks and concerns over the timing and quality of the kharif crop amid uneven rain.

The government tried to cushion the shortage. It bought 1.21 lakh tonnes of rabi onions for its buffer stock, against a target of 2 lakh tonnes, and began selling them at ₹35 a kilo. Imports, including from Egypt, have not kept pace with festive-season demand.

WHEN RELIEF COMES

The new crop is starting to arrive. Kharif onions from Karnataka, Andhra Pradesh and Rajasthan have reached markets, and the consumer affairs ministry said on October 7 that wholesale prices in Maharashtra had fallen nearly 13 per cent and retail prices had eased in 126 cities. Kharif acreage is reported to be about 5 per cent higher than last year. Officials expect comfortable supplies.

Not everyone agrees. One trader said the new crop was arriving later than last year and in much smaller quantities. Prices are expected to fall towards the end of October as harvesting picks up in Maharashtra, Madhya Pradesh, Andhra Pradesh, Telangana and Karnataka.

For the RBI the timing matters. If onion prices fall in late October and November, food inflation could ease quickly, since the rise has been concentrated in a few items. If the kharif crop disappoints, the October inflation figure, due on November 12, will land just before the central bank's December meeting.

Car makers ship a record number of vehicles in September

Factory dispatches of passenger vehicles rose 21.8 per cent to 4.55 lakh units. Lower prices after last year's tax cut and a low base did much of the work.

BY ARNAV GOEL

Indian car makers sent 4,54,574 passenger vehicles to dealers in September, 21.8 per cent more than the 3,73,347 a year earlier, the Society of Indian Automobile Manufacturers said on Thursday. Two-wheeler sales rose 13.5 per cent to 24.63 lakh units and three-wheeler dispatches 16 per cent to 98,162.

The figures measure what manufacturers ship to dealers, not what customers buy. Companies often send extra stock ahead of the festive season, so part of September's rise may be dealers filling showrooms. Even so, the strength has lasted. For April to September, passenger vehicle dispatches were 26,37,067 units, up 28.3 per cent on the same period last year.

WHY SALES ARE RISING

SIAM credited several things. The biggest is price. The overhaul of the goods and services tax last year, known as GST 2.0, cut the tax on most cars, and the lower prices are still feeding through. The September consumer price index shows the price of cars and jeeps 4.51 per cent lower than a year earlier, one of the few items in the basket that has become cheaper. SIAM also pointed to a low base from last year, to finance support, to demand in both towns and villages, and to government spending on infrastructure.

The count needs one adjustment. Tata Motors' passenger vehicle figure is included only in the total. Excluding Tata, dispatches were 3,85,764 units, up 23 per cent from 3,13,680, so the growth is broad and not driven by a single company.

STRONG SALES, WEAK SHARES

Exports are the soft spot. Passenger vehicle exports fell 5.2 per cent to 2.29 lakh units. Indian makers are selling more at home and less abroad.

The stock market has been less enthusiastic than the showrooms. Shares of Maruti Suzuki, Tata Motors' passenger vehicle business and Mahindra & Mahindra have fallen by as much as 32 per cent this year despite record sales. Investors are weighing three risks: that the boost from lower tax fades once the base effect disappears, that higher interest rates raise the cost of car loans, and that dearer steel and other inputs squeeze margins. Wholesale prices of manufactured goods rose 9.76 per cent in September.

The test comes in the next two months. Dispatches show what manufacturers expect. Registrations during October and November, when most festive buying happens, will show whether buyers agree, and whether a rise in loan rates after the RBI's tightening begins to bite.

The IMF raises India's growth forecast to 7 per cent

India is one of the few large economies to get an upgrade, by 0.6 of a point from July. The fund also expects inflation of 5 per cent this year, up from 2 per cent.

BY ARNAV GOEL



The Gateway of India. GANESH MOHAN T / CC BY-SA 4.0

The International Monetary Fund raised its forecast for India's growth this financial year to 7.0 per cent, from 6.4 per cent in July, in its World Economic Outlook published on Tuesday. It also expects 7.0 per cent next year, up 0.3 of a point from July. On a calendar-year basis the fund forecasts 7.4 per cent for 2026 and 7.0 per cent for 2027.

The upgrade stands out against a gloomier world. The IMF expects global growth to slow to 3.1 per cent this year from 3.5 per cent in 2025 before recovering to 3.4 per cent in 2027. It said India "remains among the fastest-growing major economies", and that its forecast "reflects stronger-than-expected momentum, supported by resilient domestic demand and robust services activity".

GROWTH AND PRICES TOGETHER

The fund's forecast for Indian inflation is the other side of the picture. It expects consumer prices to rise 5.0 per cent in 2026, up from 2.0 per cent in 2025, before easing to 4.4 per cent in 2027. That is close to the RBI's own forecast of 5.2 per cent for this financial year.

The combination explains why the RBI felt able to raise rates on October 7. An economy growing at 7 per cent, with inflation rising from 2 per cent to 5 per cent in a year, is one where demand is strong enough to absorb tighter money. The economy grew 7.8 per cent in April to June. The RBI itself expects 7.1 per cent for the full year.

THE OIL ASSUMPTION

The forecast rests on a key assumption about energy. The IMF expects oil to average $95.74 a barrel in 2026 and $87.39 in 2027, against $67.74 in 2025. Its baseline assumes the Strait of Hormuz reopens in March 2027, with conditions broadly back to normal by October 2027. Brent crude ended this week near $108, well above the fund's average for the year.

India imports most of its oil, so the gap between the IMF's assumption and the market price matters. The fund's chief economist, Silvana Tenreyro, warned that "a prolonged stalemate or further escalation in the Middle East could keep energy and food prices elevated and volatile". For India that would mean a wider trade deficit, more pressure on the rupee and inflation that stays above target for longer.

The fund pointed to longer-term strengths too: demographics, a large domestic market and structural reforms, which it said were evidence of stronger growth potential. For now, though, the more immediate question is whether India can keep growing at 7 per cent while paying $100 a barrel for oil and raising interest rates to hold inflation down.



Brokers on the floor of the New York Stock Exchange. THOMAS J. O'HALLORAN / PUBLIC DOMAIN

Foreign investors have pulled ₹3.12 lakh crore from Indian shares this year

Net sales in October alone reached about ₹52,100 crore by mid-month. Domestic funds keep buying, which is why prices have held up.

BY ARNAV GOEL

Foreign portfolio investors sold a net ₹8,990.50 crore of Indian shares in the five sessions to Friday, taking their net sales for October to about ₹52,100 crore. That brings their withdrawals from Indian equities in 2026 to about ₹3.12 lakh crore, nearly double the ₹1.66 lakh crore they took out in all of 2025.

The pace has picked up. By October 11 they had sold ₹44,166 crore for the month, and by October 12 about ₹47,417 crore, according to depository data cited by news outlets. In September they sold ₹35,861 crore, after being buyers in July and August.

WHY THEY ARE LEAVING

Analysts point to three forces. The first is oil. Brent crude has stayed above $100 a barrel for most of the past month and ended this week near $108. India imports most of its crude, so expensive oil means a wider trade deficit, a weaker rupee and higher inflation, all bad for foreign holders whose returns are measured in dollars.

The second is America. Consumer prices there rose 3.7 per cent in the year to September, faster than expected, and the Federal Reserve raised rates in September. Higher yields on American bonds make it more attractive to keep money at home. One strategist linked the selling directly to persistent American inflation and expectations of another Fed rise.

The third is competition from elsewhere in Asia. A rally in North Asian markets driven by artificial intelligence is drawing money away from India.

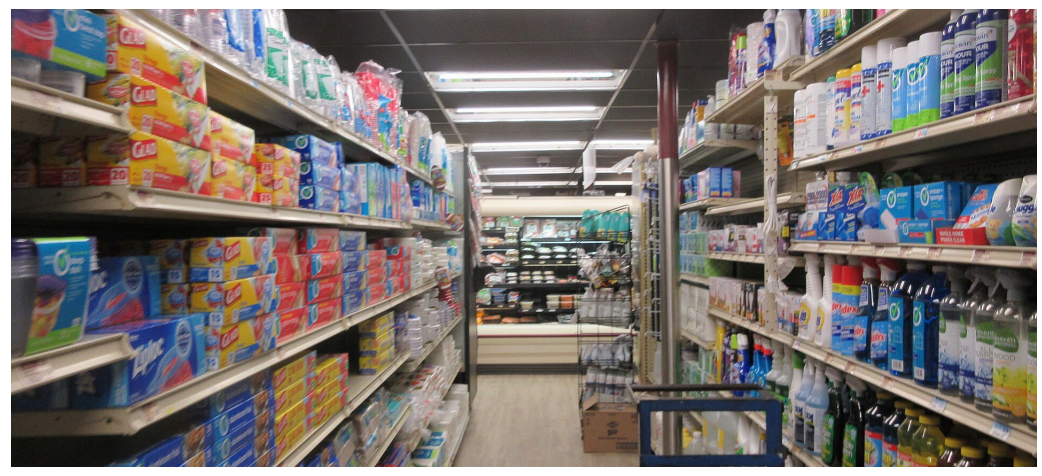
THE RUPEE MULTIPLIES THE LOSS

The currency adds to the pressure. When a foreign fund sells Indian shares it must then sell rupees to take its money home. The rupee fell to close to 97 to the dollar in early October, so a foreign investor who held Indian shares this year has lost on the exchange rate as well as on prices. Each round of selling feeds the next by weakening the rupee further. That is one reason the RBI moved on October 10 to curb speculation in the currency.

WHO IS BUYING

The other side of every sale is a buyer, and in India that has been domestic money. Domestic institutions, mainly mutual funds fed by monthly savings plans, bought a net ₹7,812.81 crore of shares this week. Their net purchases in 2026 have passed ₹5 lakh crore, the third calendar year in a row above that level.

That domestic support is why Indian shares have not fallen further. But it has limits. Mutual fund inflows depend on households continuing to save in equities, and the next fortnight brings Jio Platforms' share sale of up to ₹30,213 crore, which will compete for the same money. On Friday foreign investors were net buyers, of ₹1,165.92 crore. One analyst called it tactical rather than a change of heart.



A supermarket aisle. INFROGMATION OF NEW ORLEANS / CC BY-SA 4.0

Nestlé India's profit jumps 36 per cent but its shares fall

Sales rose about 20.5 per cent on strong volumes and cheaper inputs. The company warned that commodity costs and food inflation remain a challenge.

BY ARNAV GOEL

Nestlé India, the maker of Maggi noodles and KitKat, reported a 36.3 per cent rise in standalone profit for July to September, to ₹1,026.77 crore from ₹753.20 crore a year earlier. Total sales rose about 20.5 per cent to roughly ₹6,782 crore, on what the company called robust double-digit volume growth across its product groups. Its earnings before interest, tax, depreciation and amortisation rose about 31 per cent.

The market was unimpressed. Nestlé India's shares fell 5.06 per cent in the week to ₹1,265.50, the worst performance in the Nifty 50.

WHERE THE PROFIT CAME FROM

The rise in profit came largely from cheaper inputs relative to sales. The combined cost of materials, goods bought for resale and changes in inventory fell to 43.1 per cent of product sales from 45.5 per cent a year earlier. On sales of about ₹6,782 crore, a cut of 2.4 percentage points in that share is worth roughly ₹160 crore of extra gross profit in the quarter.

Nestlé spent part of the gain on marketing. Advertising and sales promotion rose 46 per cent. Chocolates did best: KitKat, Munch and Milkybar all grew, with KitKat gaining market share. Coffee and other beverages also grew strongly as more households bought them and buyers moved to pricier products.

WHY THE SHARES FELL

Two things appear to have worried investors. The first is that the cost advantage may not last. The company itself warned that rising commodity costs and food inflation continue to create challenges. Wholesale food prices rose 8.66 per cent in September and manufactured goods 9.76 per cent, so the cheaper inputs that helped this quarter could reverse.

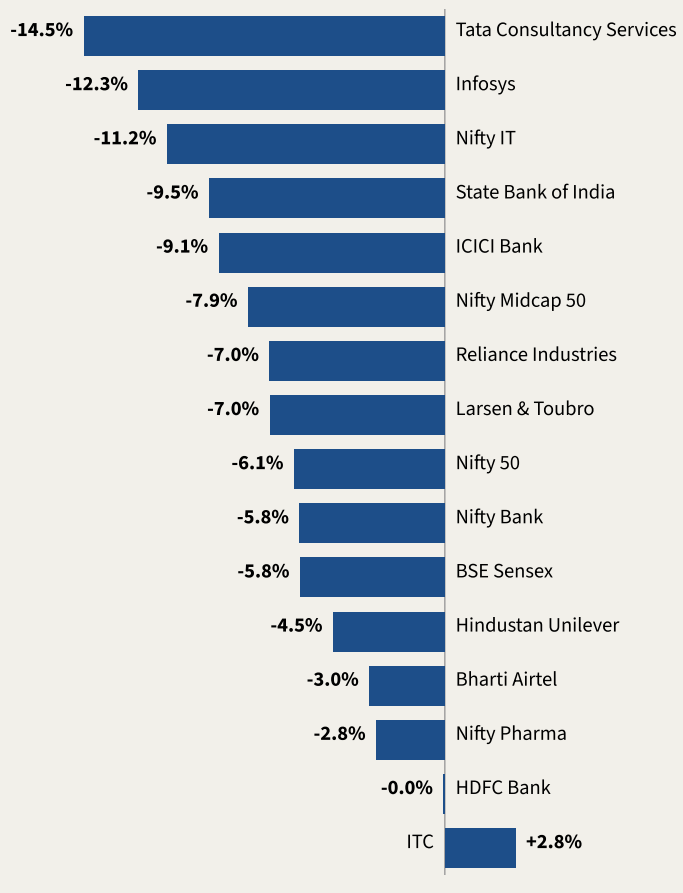
The second is cash. Operating cash flow for the first half was about ₹2,258 crore, slightly lower than the ₹2,319 crore a year earlier, partly because cash tax payments rose to ₹595 crore from ₹404 crore. Profit that does not turn into more cash is worth less to investors.

There was also a wider shift in the market. Investors moved money into software companies this week and out of defensive consumer shares. FMCG shares fell on Friday while IT shares rose 3.92 per cent.

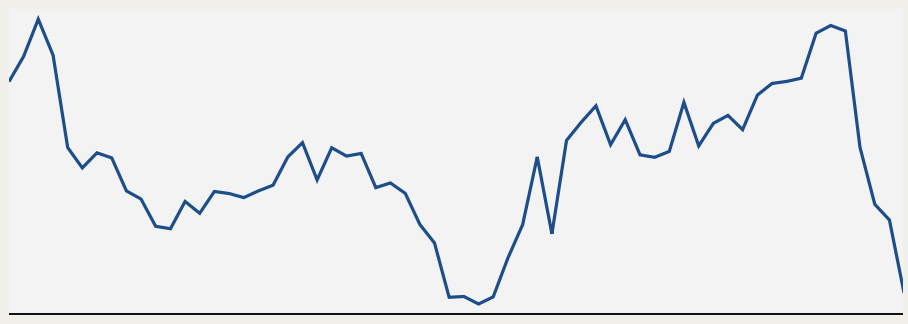
The quarter still shows that Indian consumers are buying more packaged food. The question for the rest of the year is whether Nestlé can keep growing volumes once it has to raise prices to cover dearer ingredients.

September in charts

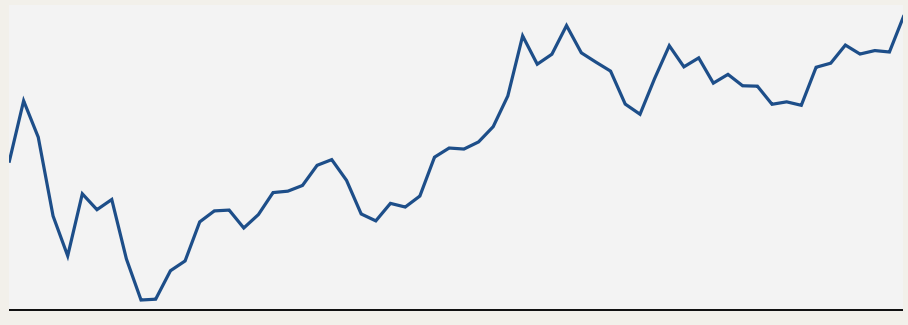
How Indian indices and leading shares moved over the month, and the rupee and oil prices behind them.



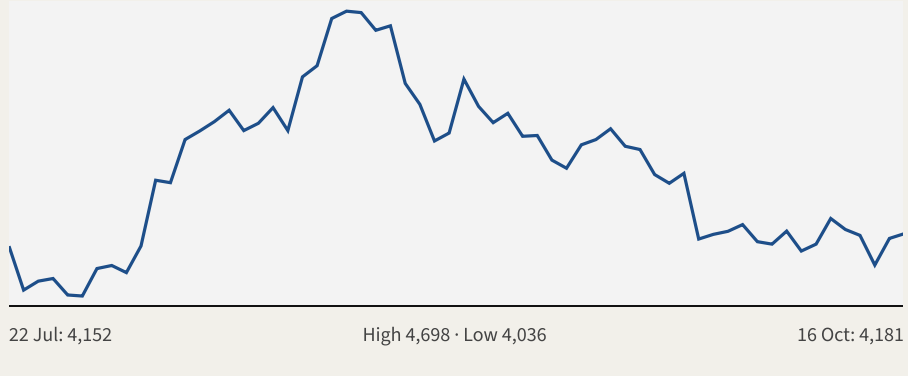
Rupee per dollar, last three months



Brent crude, $/bbl, last three months



Gold, $/oz, last three months





Workers on a construction site. BOUDOIRPHOTOGRAPHYGUIDE / CC BY 4.0

Home sales edge up 3 per cent while unsold stock swells

About 1,00,220 homes were sold in seven big cities in July to September, according to Anarock. Developers launched 18 per cent more, and unsold inventory rose to 6.31 lakh units.

BY ARNAV GOEL

Sales of homes in India's seven largest cities rose about 3 per cent from a year earlier to roughly 1,00,220 units in July to September, according to Anarock, a property consultancy. Their value rose 2 per cent to about ₹1.55 lakh crore. The average price rose 7 per cent from a year earlier to ₹9,714 a square foot, but only 1 per cent from the previous quarter.

The headline hides a widening gap between what developers build and what buyers take.

SUPPLY OUTRUNS DEMAND

Developers launched about 1,14,320 new homes in the quarter, 18 per cent more than the 96,690 a year earlier. That is about 14,000 more homes than were sold. As a result, unsold inventory rose to about 6,30,590 units at the end of September from 6,16,500 in June.

At the current pace of roughly one lakh sales a quarter, that stock

Continued



An oil refinery. WALTER SIEGMUND / CC BY 2.5

Oil companies start buying dollars straight from the RBI

The special window for Indian Oil, HPCL and BPCL opened on Monday with no published limit. Brent crude near $108 a barrel shows why the RBI wants their demand off the market.

BY ARNAV GOEL

From Monday, India's three state-owned oil marketers stopped having to buy all their dollars in the open market. Under a facility announced on October 10, the Reserve Bank of India now sells dollars to Indian Oil, Hindustan Petroleum and Bharat Petroleum through designated banks, to meet their entire daily requirement for foreign currency. The window runs until further notice.

The three companies import much of India's crude oil and pay for it in dollars. That makes them the largest single source of steady dollar demand in the currency market. Their purchases weighed on the rupee every day; now that demand goes directly to the central bank.

WHAT IT CHANGES AND WHAT IT DOES NOT

The window does two things. It removes a large, predictable buyer from the market, which takes

Continued

Home sales edge up 3 per cent while unsold stock swells

Continued

would take about six quarters, or a year and a half, to clear even if no new projects were launched. The longer homes stay unsold, the more developers pay in interest on the money borrowed to build them, which in time pushes them towards discounts or slower launches.

A TALE OF SEVEN CITIES

The cities moved in different directions. The Mumbai Metropolitan Region remained the largest market, with sales up 5 per cent to 31,750 units. Bengaluru rose 12 per cent to 16,670 and Hyderabad 15 per cent to 12,970. Pune fell 6 per cent to 15,690, Delhi-NCR 1 per cent to 13,765, Chennai 10 per cent to 5,395 and Kolkata 4 per cent to 3,980.

The cities that grew are those with large technology workforces, Bengaluru and Hyderabad, along with Mumbai's broad market. That fits with this week's strong results from software companies, though the IT industry's slow revenue growth is a reminder that hiring there is subdued.

NOT EVERYONE SEES GROWTH

Another research firm, PropEquity, counted differently. Its data, published two days before Anarock's, showed sales falling 6 per cent to 1,03,000 units in the September quarter. The firms use different methods and coverage, but the disagreement itself is telling: the market is roughly flat, not booming.

RATES ARE THE NEXT TEST

The RBI's rate rise on October 7 is the first since 2023. Home loans are mostly linked to the repo rate, so their rates will rise for new and existing borrowers alike. On a ₹50 lakh loan over 20 years, a rise of a quarter of a percentage point adds roughly ₹800 a month to the instalment. If the RBI raises rates again in December, as several economists expect, buyers will face a second increase just as developers are trying to sell a growing pile of unsold homes.

Oil companies start buying dollars straight from the RBI

Continued

pressure off the rupee and makes it harder for speculators to trade ahead of the oil companies' orders. And it gives the oil companies certainty that they can pay for cargoes, whatever happens to the exchange rate on a given day.

What it does not do is reduce the number of dollars India needs. The dollars still leave the country's reserves; they simply go through the RBI's books instead of the interbank market. Reserves fell $8.58 billion in the week to October 9, before the window opened. The RBI has not said how many dollars it expects to supply or whether there are limits for each company. Nor has it said whether the three must stop buying in the market altogether.

A TOOL FROM 2013

The RBI used the same approach in 2013, after a sharp fall in the rupee. It closed that window once the currency had steadied and the oil companies had gone back to buying all their dollars in the market. The precedent suggests the RBI sees this as a temporary bridge rather than a permanent arrangement.

WHY OIL PRICES STILL MATTER

The price of crude decides how heavily the window will be used. Brent rose above $106 a barrel on Wednesday and was near $108.31 on Friday. The IMF, in its outlook published this week, assumes an average of about $96 for the year, with the Strait of Hormuz reopening only in March 2027.

Expensive oil hits India twice. It widens the import bill, which drove the trade deficit to $30.21 billion in September. And it lifts prices at home: fuel and power prices in the wholesale index were 25.85 per cent higher in September than a year earlier. The government has raised retail petrol and diesel prices this year, but state oil companies have also absorbed large losses on fuel sold below cost.

The window, together with the RBI's new limits on currency speculation, helped the rupee gain about 2 per cent this week. Whether that lasts depends less on the plumbing of the currency market than on the price of a barrel of oil.



The exterior of a data centre. UNNERVING DUCK / CC BY-SA 4.0

Tech Mahindra widens its margins while Wipro stands still

Tech Mahindra's profit rose 32.7 per cent and its shares jumped 18 per cent in the week. Wipro's revenue was flat and it expects little growth in the current quarter.

BY ARNAV GOEL

Two of India's large software companies reported on Thursday, and investors saw a clear difference between them. Tech Mahindra's shares rose 18.22 per cent in the week, the best performance in the Nifty 50. Wipro reported steady margins but almost no growth.

TECH MAHINDRA: THE TURNAROUND SHOWS

Tech Mahindra's consolidated net profit for July to September rose 32.7 per cent from a year earlier to about ₹1,586 crore, and 8.2 per cent from the previous quarter. Revenue from operations rose 15.6 per cent to about ₹16,180 crore. In dollars, revenue was about $1,693 million, up 6.8 per cent, or 7.2 per cent in constant currency.

The bigger change was in profitability. Earnings before interest and tax rose 40.5 per cent to about ₹2,387 crore, and the margin rose to 14.8 per cent from 12.1 per cent a year earlier. The company has set a target of 15 per cent for this financial year, and it is now just below it. It signed new deals worth about $1.02 billion in the quarter, and $4.27 billion over the past 12 months, up 34.8 per cent.

The board declared an interim dividend of ₹15 a share, with a record date of October 23, and recommended a bonus issue of one share for every share held. There were weak spots. Free cash flow fell sharply, and revenue from manufacturing clients fell 3.8 per cent from the previous quarter.

WIPRO: STEADY BUT SLOW

Wipro's gross revenue was ₹24,750 crore, up 1.1 per cent from the previous quarter and 9.1 per cent from a year earlier. But the core business, IT services, earned $2,611.5 million, down 0.1 per cent on the quarter and up only 0.3 per cent on a year earlier. In constant currency, which strips out exchange-rate movements, it was flat on the quarter and up 0.6 per cent on the year.

The rupee explains the gap between the two sets of figures. Wipro earns mostly in dollars, so when the rupee falls its revenue in rupees rises even if it sells no more services.

Wipro's margin did improve. Its IT services operating margin rose 0.5 of a percentage point to 16.5 per cent. Net income was ₹3,200 crore and earnings per share rose 4.2 per cent from a year earlier to ₹3.23. Operating cash flow was strong at ₹5,300 crore, 165.8 per cent of net income. Voluntary attrition was 13.8 per cent over 12 months.

The guidance was the disappointment. Wipro expects IT services revenue of $2,571 million to $2,625 million in October to December, between a 1.5 per cent fall and a 0.5 per cent rise in constant currency. Its chief executive, Srini Pallia, pointed to growing momentum in its AI-focused unit and offerings.

WHAT SEPARATES THEM

Both companies are improving margins. The difference is growth. Tech Mahindra is growing at about 7 per cent in dollar terms and winning more deals; Wipro is not growing. In an industry where clients are cautious and artificial intelligence is changing what they buy, investors are paying for companies that can show both.

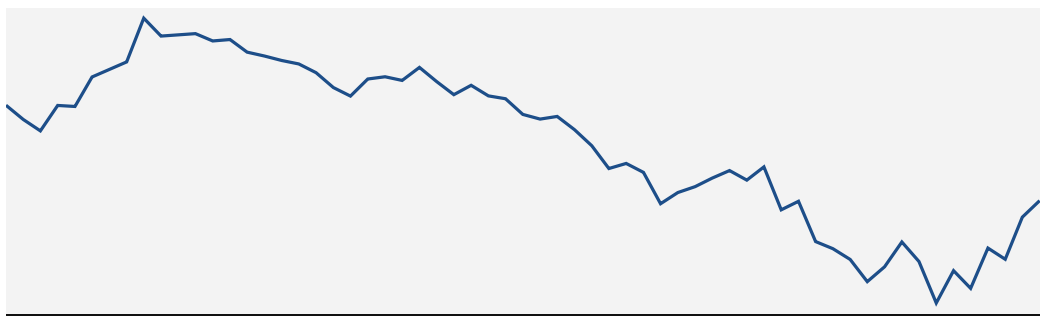
Indian Markets

Closing levels to Friday, October 16, 2026. Changes over five and 21 trading sessions. Source: Yahoo Finance.

	Last	Week	Month
INDICES			
BSE Sensex	74,729	+3.1%	+0.5%
Nifty 50	23,146	+2.8%	-0.3%
Nifty Bank	55,844	+1.1%	-0.8%
India VIX	14.06	-2.2%	+6.8%
SECTORS			
Nifty IT	31,924	+11.7%	+9.8%
Nifty Pharma	25,782	-0.7%	-1.4%
Nifty Midcap 50	16,946	+1.0%	-3.5%
RUPEE			
Rupee per dollar	94.52	-2.4%	-1.7%
Rupee per euro	106.51	-1.8%	-3.7%
Rupee per pound	125.45	-2.0%	-2.5%

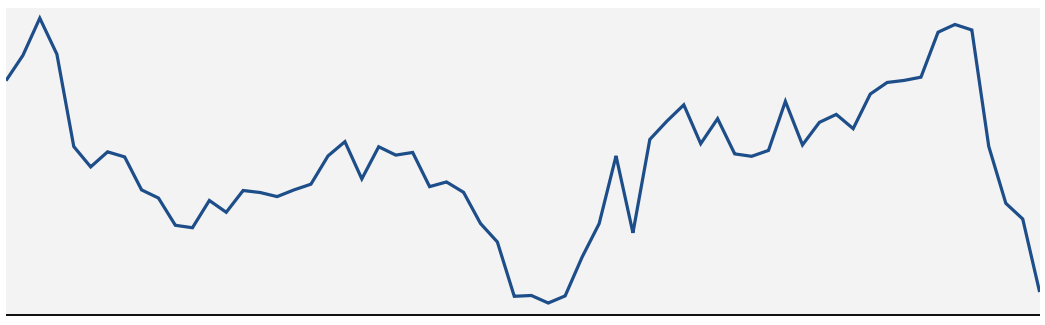
	Last	Week	Month
LEADING SHARES, ₹			
Reliance Industries	1,211	+3.5%	-2.3%
HDFC Bank	728.85	+3.1%	+1.0%
ICICI Bank	1,397	+3.1%	+2.8%
Bharti Airtel	1,905	+5.5%	+3.8%
Tata Consultancy Services	2,465	+14.3%	+12.6%
Infosys	1,161	+13.5%	+9.5%
State Bank of India	962.60	+0.4%	-2.9%
ITC	263.50	-0.9%	-0.2%
Larsen & Toubro	3,627	-2.1%	-4.7%
Hindustan Unilever	1,894	+2.0%	-3.5%

Nifty 50, last three months



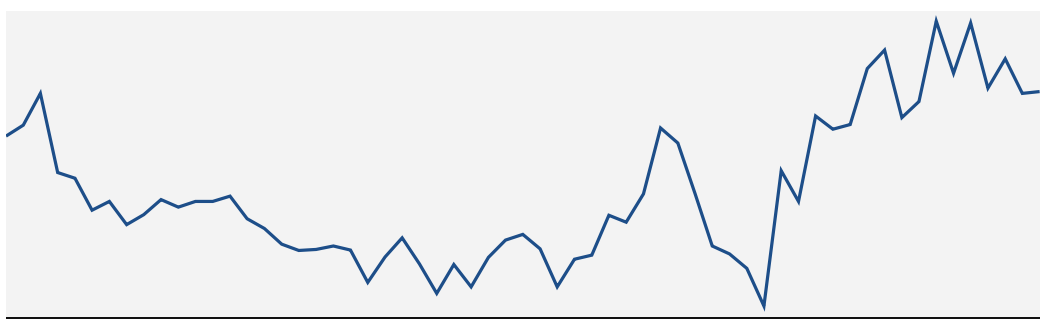
22 Jul: 23,996 High 24,774 · Low 22,232 16 Oct: 23,146

Rupee per dollar, last three months



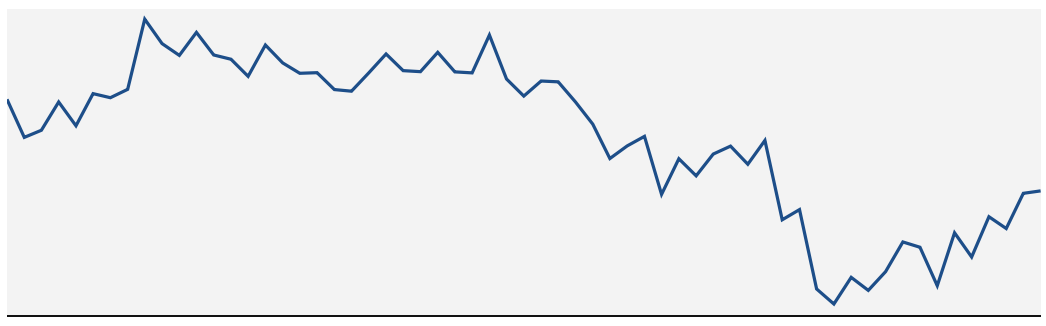
22 Jul: 96.34 High 96.88 · Low 94.43 16 Oct: 94.52

India VIX, last three months



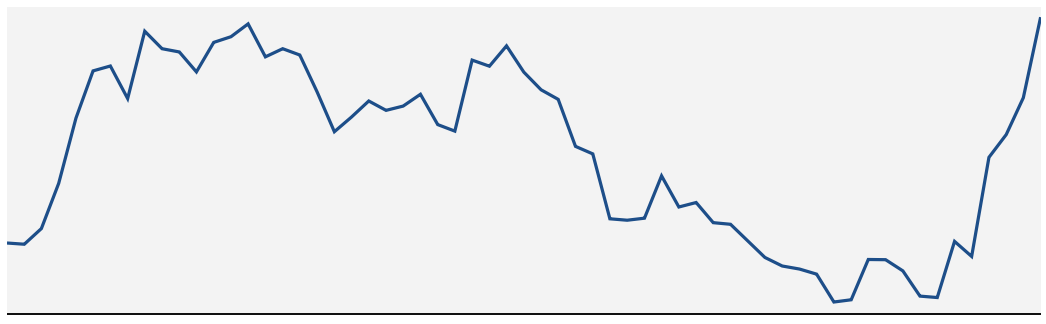
22 Jul: 13.29 High 15.28 · Low 10.35 16 Oct: 14.06

Nifty Bank, last three months



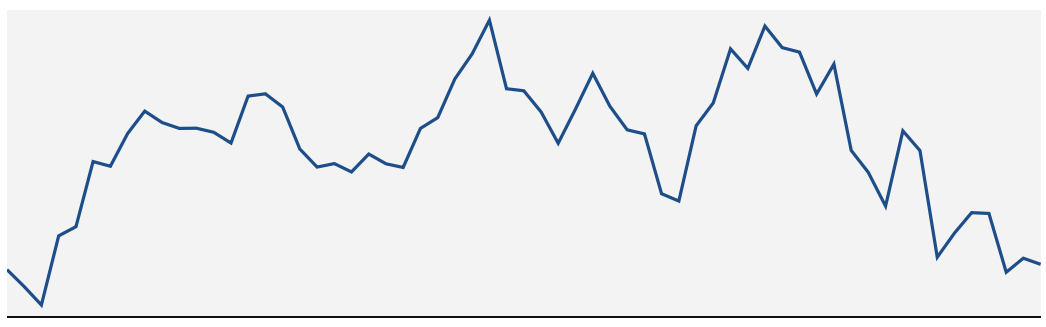
22 Jul: 57,127 High 58,248 · Low 54,260 16 Oct: 55,844

Nifty IT, last three months



22 Jul: 28,550 High 31,924 · Low 27,670 16 Oct: 31,924

Nifty Pharma, last three months



22 Jul: 25,752 High 27,186 · Low 25,548 16 Oct: 25,782

Opinion

The rupee rules should come with an end date

Curbing speculation was a fair response to a disorderly market. But controls that stay too long turn into a tax on honest hedgers.

The Reserve Bank of India's new rules on rupee derivatives worked quickly. Within a week the rupee rose about 2 per cent, its best week in seven months, from close to its record low. The central bank had a case. Governor Sanjay Malhotra says that in some cases about a third of currency derivative trades were being closed on the same day they were opened. That is not companies protecting themselves against a fall in the rupee. It is betting on one.

So the ban on rebooking cancelled contracts, the cut in the limit for hedges without proof of exposure from $100 million to $5 million, and the 20 per cent cash reserve on large contracts were defensible as emergency measures. Our concern is what happens if they stay.

Each rule has a cost that falls on legitimate users as well as speculators. A mid-sized importer who hedged a dollar bill, cancelled the contract when the shipment was delayed, and now needs to hedge again, cannot rebook. An exporter whose orders are firm but not yet invoiced may struggle to prove exposure above $5 million. And the 20 per cent reserve, cash that a bank must park with the RBI at no interest, will be passed on as a higher price for every large hedge. Making hedging dearer and harder does not make the underlying risk go away. It leaves more companies unhedged, which is exactly the fragility a central bank should want to reduce.

There is also the question of what the rules are holding back. The rupee is weak for real reasons: Brent crude near $108 a barrel, a merchandise trade deficit of $30.21 billion in September, and foreign investors who have pulled about ₹3.12 lakh crore from Indian shares this year. Speculation can speed a fall, but it did not cause this one. Controls can calm the market for a time. They cannot change the price of oil.

The RBI has form here. In 2013 it opened a dollar window for oil companies and closed it once the rupee had steadied. That is the right model. Mr Malhotra has said he is open to further steps if needed. He should say just as clearly what conditions would allow the existing ones to be withdrawn: a period of orderly trading, a narrower gap between onshore and offshore prices, or a fixed review date.

A rule announced as temporary is credible only if it has an end. Without one, markets will assume the controls are permanent, foreign investors will price in the risk that more will follow, and the cost of capital for Indian companies will rise. The RBI won this week's battle. It should now set out how it plans to step back.

Jio's listing is a test of India's domestic investors

The largest share sale in Indian history arrives as foreigners are selling. Its success will depend on households, and they should be told the risks plainly.

Jio Platforms will ask investors for up to ₹30,213 crore next week, more than any Indian company has raised in a single share sale. The timing is striking. Foreign portfolio investors have sold about ₹3.12 lakh crore of Indian shares this year, nearly double their sales in all of 2025, and another ₹52,100 crore so far in October. If Jio's issue succeeds, it will be because Indian households and the funds they save through have stepped in.

That is a sign of strength. Domestic institutions have bought more than ₹5 lakh crore of shares this year, the third year in a row. Monthly savings plans have turned millions of families into steady buyers of equities. A decade ago an issue of this size would have depended on foreign anchors. Now it can be carried at home.

But strength brings responsibility. Much of the money that will flow into Jio comes from retail investors, either directly, with a minimum bid of ₹13,428, or through mutual funds. They deserve a clear view of what they are buying. The issue is entirely new shares, which is welcome: the money goes into the company, mainly to repay the borrowings of its telecoms arm, rather than to existing owners selling out. The price band is also below the range reported earlier, which leaves room for a listing gain.

Listing gains are not the point, though. The real questions are about the business over years: how fast Jio can raise revenue per customer in a market with few competitors, how much it must keep spending on networks, and how its interests will be balanced with those of Reliance, which will remain its controlling shareholder. These belong in plain language in every summary that brokers and apps put in front of first-time investors.

The wider market also matters. A ₹30,000 crore issue will draw money from other shares, as fund managers sell to make room. This week, HD Fire Protect's issue was bid for about 131 times over. Such numbers encourage the belief that every new listing is a sure thing. It is not. Heavy oversubscription often means most bidders get few shares, and the excitement can fade quickly after listing.

SEBI has worked hard to make Indian markets more open to small investors. The Jio listing is a chance to show that openness and protection can go together. The regulator should watch the marketing closely, insist that risks are shown as prominently as returns, and make sure that India's largest share sale leaves households better informed rather than simply more exposed.

The onion index

A vegetable that carries less than 1 per cent of the price index keeps deciding how Indians feel about inflation.

Onions carry a weight of about 0.7 per cent in India's new consumer price index. By that measure they should barely matter. Yet every few years they dominate the news, and this is one of those years. In September onion prices were 108.09 per cent higher than a year earlier. In mid-October a kilo cost between ₹50 and ₹65 in many cities, roughly twice the price of a year ago.

Why does such a small item weigh so heavily on how people feel? Partly because it is bought often. A household notices the price of onions every few days; it notices the price of a car once in ten years. Economists call this the frequency effect: people form their view of inflation from what they buy most, not from the weights in an index. And onions are in almost every meal.

That matters for policy. The RBI's job is not only to keep measured inflation near 4 per cent but also to keep households' expectations of inflation steady. When people expect prices to rise, they ask for higher wages and spend sooner, and those expectations can become self-fulfilling. A sharp rise in onion prices can shift those expectations more than its weight in the index would suggest.

The onion also shows the limits of what monetary policy can do. This year's shortage has clear causes: hail and unseasonal rain damaged the late rabi crop in Maharashtra, heat sped up the spoiling of stored onions, and the new crop is arriving late. A higher repo rate will not grow more onions. What helps is storage that does not rot, a buffer stock that meets its target, and imports arranged early. This year the government bought 1.21 lakh tonnes for its buffer, against a target of 2 lakh tonnes.

The good news is that onion shocks tend to pass. Fresh kharif onions are reaching markets, wholesale prices in Maharashtra fell nearly 13 per cent in early October, and prices are expected to ease by the end of the month. When they do, headline inflation should cool a little.

The lesson is for the years in between. India has had onion crises often enough to know they will come again. Investing in cold storage and a buffer that is full before the lean season would do more to protect household budgets, and the RBI's credibility, than any quarter-point rise in interest rates.

The week ahead

Monday, October 19. China publishes third-quarter GDP. Anchor investors bid for Jio Platforms shares. Markets react to the weekend results of HDFC Bank, ICICI Bank and Axis Bank.

Wednesday, October 21. Minutes of the RBI's October 5 to 7 policy meeting are published. Jio Platforms' share sale opens, at ₹1,065 to ₹1,119 a share. HD Fire Protect lists on the NSE and BSE.

Thursday, October 22. Fusion CX lists on the NSE and BSE.

Friday, October 23. Jio Platforms' offer closes. Infosys reports July to September results. Record date for Tech Mahindra's ₹15 dividend. Weekly foreign exchange reserves.

Later. Basis of allotment for Jio on October 26 and listing on October 28; the Federal Reserve meets on October 27 and 28; the Bank of Japan on October 29 and 30; India's October inflation on November 12.

World

World in brief

American inflation rises. Consumer prices in America rose 3.7 per cent in the year to September, up from 3.4 per cent in August and slightly above forecasts. Petrol accounted for more than half of the monthly rise of 0.6 per cent. Core inflation rose 0.3 per cent in the month, against expectations of 0.2 per cent.

Warsh keeps his counsel. Kevin Warsh, chair of the Federal Reserve, said in Bangkok on October 16 that he does not "prejudge" interest-rate decisions, giving no hint about the Fed's meeting on October 27 and 28. The Fed raised its rate to 3.75–4 per cent in September.

Shoppers spend on petrol. American retail sales rose 0.8 per cent in September to $745.0 billion, beating forecasts, but sales at petrol stations rose 6.4 per cent because of higher prices. Excluding petrol, sales rose only 0.2 per cent.

IMF sees slower growth. The IMF expects the world economy to grow 3.1 per cent this year, down from 3.5 per cent in 2025, and inflation to rise to 4.7 per cent. It assumes oil averages $95.74 a barrel in 2026 and that the Strait of Hormuz reopens in March 2027.

China's exports surge. China's exports rose 36.3 per cent from a year earlier in September, far above forecasts, and its trade surplus reached $133.53 billion. Producer prices rose 5.0 per cent, the fastest since June 2022, while consumer prices rose 0.9 per cent.

Goldman beats, JPMorgan misses. Goldman Sachs earned $5.29 billion in the third quarter on revenue of $18.68 billion, as equities trading revenue rose 72 per cent to $6.44 billion. JPMorgan Chase missed forecasts on weaker fixed-income trading, though its net interest income rose 13 per cent to $27.1 billion.

Euro area slows. The IMF expects the euro area to grow 1.1 per cent this year, held back by higher energy prices and weak consumer confidence, and America 2.3 per cent this year and next.

India's rate rise is bigger than it looks

The RBI raised its repo rate by a quarter point, but by draining surplus cash it pushed overnight money rates up by as much as twice that. The governor now wants the call rate aligned with the repo rate.

BY ARNAV GOEL · PUBLISHED ONLINE OCTOBER 8



The Reserve Bank of India headquarters, Mumbai. DESIBOY101 / CC BY 4.0

The Reserve Bank of India raised interest rates on Wednesday for the first time since February 2023. Its monetary policy committee voted unanimously to lift the repo rate, the rate at which it lends to banks, by a quarter of a percentage point to 5.50 per cent, and changed its stance from neutral to what it called "calibrated tightening". Rate cuts, the committee said, are now off the table: the next move can only be a rise or a pause.

A quarter-point is the smallest step a central bank usually takes, and markets had largely expected it. In a Reuters poll of 61 economists taken in late September, 35 forecast exactly this. But the headline number understates how much money got dearer this week. The rate that actually governs India's overnight money market may have risen by as much as twice that, because the RBI has spent the past month draining the cash that had been keeping that rate low.

THE RATE THAT MATTERS

The repo rate sits in the middle of a corridor. Below it is the standing deposit facility, the rate banks earn on spare cash parked at the RBI; above it is the marginal standing facility, the rate they pay to borrow in an emergency. Before Wednesday the corridor ran from 5.00 to 5.50 per cent. After the rise it runs from 5.25 to 5.75 per cent.

Where the market trades within that corridor depends on how much cash is sloshing around. In August and September there was a great deal. Measures announced in June to attract foreign capital brought money into the banking system, and the RBI's own figures put the average daily surplus at ₹5.9 lakh crore since its August meeting. With so much cash chasing borrowers, the weighted average call rate, the benchmark overnight rate between banks, traded in the lower half of the corridor, between 5.00 and 5.25 per cent. In practice India was running monetary policy closer to the floor than to the repo rate.

That is changing. In September the RBI sold about ₹1 lakh crore of government bonds in the open market, its largest such sale in more than a decade according to Trading Economics, which takes cash out of the banks that buy them. On Wednesday it also offered to absorb ₹3 lakh crore overnight. Banks put in ₹2.56 lakh crore, all of it accepted at 5.49 per cent. Cash that would have earned 5.00 per cent at the bottom of the old corridor now earns almost the full repo rate. Measured from where overnight money actually traded, the tightening is worth between a quarter and half a percentage point, depending on where in the lower half of the corridor the call rate sat.

The governor, Sanjay Malhotra, said so directly. The RBI, he said, will "strive to align the weighted average call rate (WACR) with the policy repo rate". That sentence will matter more to bank treasurers than the size of the rate rise.

WHY THE COMMITTEE MOVED

The committee's case rests on inflation that is no longer confined to fuel and food. Consumer prices rose 4.8 per cent in the year to August, up from 4.5 per cent in July. The RBI now expects inflation of 5.2 per cent for the financial year to March, with the October to December quarter at 6.0 per cent, well above the 4 per cent target. Headline inflation, the statement said, is expected to average almost 5.8 per cent over the next three quarters.

The trigger is a supply shock. The renewed conflict in West Asia has kept crude oil close to $100 a barrel, and a monsoon that ended 13 per cent short of normal is raising food prices, with sugar and onions singled out by the RBI. A higher repo rate can do nothing about either. The committee was candid about this. Monetary policy, its resolution says, acts on supply shocks mainly by curbing "second round effects", the point at which expensive fuel and food feed into firms' pricing and households' expectations.

THE GOLD IN THE NUMBERS

The evidence that this is happening is real but thinner than the headline suggests. The RBI's measure of core inflation, which excludes food and fuel, rose to 4.2 per cent in August after three months at 3.9 per cent. But the same statement reports that core inflation excluding precious metals was only 2.9 per cent. Gold prices have risen sharply on world markets this year, and because Indian households buy a great deal of it, its price weighs heavily in the index. Strip it out and underlying inflation is comfortably below target.

Gold's price is set in London and New York and swings with the dollar and American bond yields. Indian interest rates have little effect on it. A rate rise justified partly by a core measure inflated by gold risks treating a global asset price as a sign of domestic overheating.

The committee did not rest its case on core inflation alone. The share of items in the consumer price basket rising faster than 4 per cent climbed to about 37 per cent in August, a sign that price rises are spreading. The resolution also points to "strong growth in monetary and credit aggregates". And the RBI's own wording was careful: there is "some evidence" of higher inflation expectations, it said, but "only limited signs" of supply pressures becoming embedded in pricing. That is a case for a modest rise and close watching, which is what the committee delivered.

A SPLIT ON WHAT COMES NEXT

The vote on the rate was unanimous. The vote on the stance was not. Two of the six members, Nagesh Kumar and Ram Singh, wanted to keep it neutral. That matters because the stance is a promise about the future. "Calibrated tightening" rules out cuts; neutral would have left the door open. The minority's view suggests that at least two members see Wednesday's rise as insurance rather than the first step in a long cycle.

Some economists expect more. Radhika Piplani of Motilal Oswal, quoted by Forbes India, expects a further 75 basis points of rises, which would take the repo rate to 6.25 per cent. Nomura and SBI Research had forecast another quarter-point increase in December.

GROWTH GIVES THE RBI ROOM

The committee can afford to tighten because the economy is strong. GDP grew 7.8 per cent in the April to June quarter, faster than expected, and the RBI raised its growth forecast for the year by 0.4 percentage points, to 7.1 per cent. Exports grew at double-digit rates in July and August. Banks are lending freely.

The rupee is the other pressure. It was trading at about 96.45 to the dollar as the decision was announced, according to Upstox. Foreign portfolio investors have pulled out a net $10.3 billion since April, though direct investment has risen to $13.8 billion over April to August, up from $9.6 billion a year earlier. The RBI says it remains committed to "orderly adjustments" in the exchange rate and to curbing excessive volatility. Higher Indian rates make rupee assets more attractive, but the governor framed the decision around inflation, not the currency.

The bond market took the decision as a signal of more to come. The ten-year government bond yield rose to about 7.26 per cent on Wednesday, a two-year high, according to Trading Economics, having risen 24 basis points in September alone.

WHAT TO WATCH

Three things will show whether this is one rise or the start of several. The first is September's consumer price figures, due next week, which forecasters expect to show inflation moving towards the upper end of the RBI's 2 to 6 per cent tolerance band. The second is core inflation excluding gold. If that stays near 3 per cent, the case for a long tightening cycle is weak. The third is the overnight rate. If the RBI keeps draining cash and the call rate settles at the repo rate, much of the tightening the market fears will already have happened, without another vote.

The minutes of the meeting will be published on October 21, and the committee meets again on December 2 to 4. By then the price of oil may have done more to decide the next move than anything the committee can control.



The Federal Reserve Bank of Cleveland. WARREN LEMAY / CC0

The Fed gets two signals, and they disagree

A weak September jobs report argued for holding rates, while a jump in service-sector prices argued for raising them. The Fed has to decide which signal to believe before its October meeting.

BY ARNAV GOEL · PUBLISHED ONLINE OCTOBER 6

For a week at the start of October the bond market was sure of one thing: the Federal Reserve would raise interest rates again this month. On Friday the labour market took that certainty away. Employers added just 29,000 jobs in September, against forecasts of about 90,000, and the unemployment rate rose to 4.2 per cent from 4.1 per cent. Earlier months were revised down by a combined 60,000. Futures traders cut the odds of an October rise to about 14 per cent, from roughly 70 per cent earlier in the week.

Then, on Monday, a survey of service businesses pointed the other way. The Institute for Supply Management's prices index for the sector jumped to 74.0, its highest since July 2022. The Fed now has two pieces of evidence that argue for opposite policies, and the next few weeks will decide which one it believes.

A LABOUR MARKET LOSING PACE

The jobs report was weak almost everywhere a reader looked. July, first reported as a gain, now shows a loss of 10,000 jobs. August was cut to 133,000 from 162,000. Health care, which has carried hiring for two years, added 17,000 jobs, about half its 12-month average of 33,000. Financial firms shed 7,000. Construction and manufacturing added 11,000 and 9,000.

Pay told the same story. Average hourly earnings rose by 0.1 per cent in September, to $37.81, and by 3.0 per cent over the year. That is the slowest annual rate since May 2021. Wages growing at 3 per cent are hard to square with an inflation problem driven by workers bargaining for more.

There was one caveat. The rise in unemployment came partly from people joining the workforce. The labour force grew by 485,000 and participation rose to 61.8 per cent from 61.6 per cent. Household employment, a separate survey, rose by 406,000. A jobless rate that climbs because more people are looking for work is less alarming than one driven by lay-offs.

SERVICES THAT KEEP CHARGING MORE

Monday's survey of service businesses did not look like an economy heading for trouble. The headline index slipped to 54.9 from 55.4, slightly below forecasts but comfortably above 50, the line between expansion and contraction. It was the sector's 27th consecutive month of growth. New orders were 59.8. The employment index rose to 50.1 from 47.8, back into positive territory, which sits awkwardly beside Friday's payroll

Continued

The inflation drop that came from a rulebook

Most of August's fall in American inflation came from a change in how it is calculated, not from prices cooling. The bond market noticed.

BY ARNAV GOEL · PUBLISHED ONLINE OCTOBER 2

America's inflation figures for August looked like good news. The personal consumption expenditures price index, the measure the Federal Reserve targets, rose 3.4 per cent in the year to August, well below the 3.7 per cent economists had pencilled in. The core index, which strips out food and energy, rose 3.0 per cent against forecasts of 3.3 per cent. Futures traders cut the odds of a Fed rate rise in October to about 35 per cent, from around half the day before. The bond market did not join the celebration. The yield on the 10-year Treasury note rose by more than four basis points on Wednesday, to about 5.3 per cent.

There is a reason for the split. Most of the improvement in the headline numbers came from a change in how they are calculated, not from a change in how fast prices are rising.

A NEW RULER, APPLIED BACKWARDS

The Bureau of Economic Analysis, which compiles the figures, used Wednesday's release to change its methods for three categories of spending: portfolio management and investment advice, legal services, and computer software and accessories. The changes were applied to the data all the way back to the start of 2021, so the history moved along with the latest month.

Each fix has a technical rationale. For investment advice, the bureau now estimates the quantity of services consumed from employment in the industry, which should stop swings in asset prices from showing up as swings in the price of advice. For legal services, it replaced unpublished consumer-price figures supplied by the Bureau of Labor Statistics, which the bureau said did not meet the statistical agency's own quality standards and had moved erratically, with an index built from producer prices. For software, it widened the set of prices it tracks to include video games and web hosting.

The combined effect was large. July's core inflation rate, first reported at about 3.35 per cent, was revised down to about 2.98 per cent. Headline inflation for July fell from 3.70 per cent to 3.36 per cent. The monthly rise in core prices for July was cut roughly in half, from 0.25 per cent to 0.12 per cent.

LIKE FOR LIKE, NOTHING FELL

Once the revisions are taken into account, August looks rather different. The core rate of 3.0 per cent is essentially the same as July's revised 2.98 per cent. The monthly increase in core prices, about 0.25 per cent, was double July's revised pace. Annualised, a month like August works out at roughly 3 per cent, half as much again as the Fed's 2 per cent target.

The forecasts were the other part of the story. The consensus forecast of 3.3 per cent matched July's unrevised rate, which suggests many economists were still working with the old method. Measuring the outcome with the new ruler produced a "miss" that says more about the statistics than about the economy. Analysts at RBC made this point before the release, warning clients not to read a lower-than-expected number as a sign of disinflation ahead.

The Fed was not taken by surprise either. Its own economists had estimated in advance how much the software change alone would lower measured inflation. A revision that everyone at the central bank saw coming is a weak reason for the central bank to change course.

WHERE THE PRESSURE STILL IS

Beneath the totals, the mix is uncomfortable. Prices of core services, which reflect wages and rents and tend to move slowly, rose 3.35 per cent over the year. Core goods prices rose about 2 per cent. Energy prices were up 16.8 per cent from a year earlier, as tension with Iran over shipping through the Strait of Hormuz has kept oil expensive. Energy is excluded from the core measure, but it feeds into transport, airfares and

Continued

The Fed gets two signals, and they disagree

Continued

figure.

The prices index is the number that matters for the Fed. At 74.0, up from 72.6, it says a large majority of service firms are paying more for what they buy. Respondents named fuel as their most common problem, with tariffs and supply constraints also pushing up costs and delivery times. Supplier deliveries slowed, with that index rising to 53.2 from 51.3.

TWO MANDATES PULLING APART

The Fed is told to pursue both maximum employment and stable prices. Usually the two move together: a hot economy produces both strong hiring and rising inflation, so one policy serves both goals. What the past week showed is the less comfortable case, in which hiring weakens while costs keep climbing. That is the pattern of a supply shock, and oil above $100 a barrel this autumn is a textbook example.

Raising rates does nothing to the price of crude. What it can do is slow demand enough that firms find it harder to pass higher costs on to customers, and stop rising prices from feeding into expectations and wage claims. The cost is paid in jobs, which is why a central bank facing a supply shock with a softening labour market is reluctant to act. Friday's report made that cost more visible.

The rate is already 3.75 to 4.00 per cent after September's rise. Olu Sonola of Fitch Ratings said the combination of weak job growth, a slightly higher unemployment rate and contained wage gains argued against another increase in October. Traders agreed, but only up to a point: markets still put the chance of a rise at the December meeting at about 78 per cent. The weak report moved a hike back by a meeting rather than removing it.

WHAT THE BOND MARKET BELIEVES

Long-term Treasury yields were the clearest sign that investors see the jobs report as a pause, not a turn. The 10-year yield had risen above 5.34 per cent earlier in the week, its highest since 2002. After the report it fell by about 7 basis points, to roughly 5.18 per cent, as oil slipped below $100 a barrel. By the afternoon much of that fall had been reversed as crude recovered.

That reaction says the market is more worried about inflation and heavy government borrowing than about a weakening labour market. A bond investor who expected slower hiring to bring down inflation would have bought long-dated debt on Friday and held it. Few did.

WHAT TO WATCH

Wednesday brings the minutes of the Fed's September meeting, which will show how many officials were already worried about hiring when they voted to raise rates. September's consumer price figures follow later in the month. If service-sector costs show up in core inflation, the soft jobs report will look like a pause before a December rise. If they do not, the Fed may decide that a labour market adding 29,000 jobs a month needs no further squeezing.

Either way, the past week has narrowed the Fed's room. It cannot claim that the labour market is too strong to worry about, and it cannot claim that inflation is under control. It will have to choose which risk to take.

The inflation drop that came from a rulebook

Continued

the inflation that households expect, which the University of Michigan's survey showed rising sharply in September.

Fed officials sounded patient rather than relieved. John Williams, president of the New York Fed, said he saw no urgency to raise rates again and suggested one more increase late in the year, a hint that December is more likely than October. Michael Barr, a Fed governor, observed that in the past 20 months only two months of data had been consistent with 2 per cent core inflation, and pointed to energy prices and heavy investment in artificial intelligence as reasons for caution.

WHY LONG YIELDS ROSE ON SOFT DATA

The move in Treasuries makes sense in this light. The two-year yield, which tracks expectations for the Fed's next few decisions, was little changed at about 4.9 per cent. The 10-year yield rose. A market that thought inflation had genuinely broken would have pushed long yields down. Instead investors read the data as a slightly gentler path for short-term rates over a level of inflation that has not moved, and a Fed less inclined to fight it hard. That is a recipe for a steeper yield curve, with more of the risk priced into the long end.

It is the same pattern this column described on Tuesday. The rise in long yields reflects a term premium, the compensation investors demand for holding long bonds, as much as it reflects the Fed. Large deficits, heavy Treasury issuance and an oil shock that has no clear end all argue for a higher premium. A change in how legal fees are deflated does nothing to any of them.

THE CASE FOR TAKING THE NUMBERS AT FACE VALUE

None of this means the new figures are wrong. The old legal-services data were, by the statisticians' own account, of poor quality, and a software price index that leaves out a large chunk of what people buy is not much of an index. If the revised series is the more accurate one, then inflation since 2021 has been somewhat lower than reported, and the Fed has been fighting a slightly smaller problem than it thought. On that reading, the three-month annualised rate of core inflation, which on the revised data is about 2 per cent, is a genuine sign that pressure is easing, and the Fed can afford to wait.

The weakness in that argument is timing. A lower level of inflation across five years of history does not mean inflation is falling now. The revisions lowered the starting point and the end point together. What matters for policy is the direction from here, and August's monthly reading pointed the wrong way.

WHAT TO WATCH

The September jobs report, due later this morning, is the next test. Strong hiring and firm wage growth would revive the odds of an October rise quickly, whatever the methodology. The consumer price index for September, out in mid-October, is calculated by a different agency and was not touched by this week's changes, so it offers a cleaner read on whether prices are still accelerating. Oil and the talks with Tehran remain the largest single source of risk to both measures.

Wednesday's report changed the measuring tape, not the thing being measured. Core inflation is running at about 3 per cent on the new basis, much as it was on the old one once the history is restated. Until the monthly figures start to fall on a like-for-like basis, the Fed is likely to keep its bias towards tightening, and the bond market is likely to keep asking to be paid for the risk.

Why Treasury buybacks can't cap the 10-year

Buybacks change the mix of debt the Treasury owes, not how much it must sell. With the 10-year near 5.2 per cent, they cannot hold yields down.

BY ARNAV GOEL · PUBLISHED ONLINE SEPTEMBER 29



The Old U.S. Mint. JAYWALSH / CC BY-SA 3.0

The yield on the 10-year Treasury note rose to about 5.2 per cent on Monday, its highest level since July 2007, after closing last week at around 5.18 per cent. It is up 0.45 percentage points in a month and 1.06 points in a year. The Treasury has tried to lean against the move. Scott Bessent, the Treasury secretary, has stepped up the department's buybacks of older government bonds, and the bond market has so far paid them almost no attention.

WHAT A BUYBACK ACTUALLY DOES

A Treasury buyback is a swap, not a repayment. The Treasury buys back older, thinly traded notes and bonds, known as off-the-run issues, and pays for them by selling new debt, usually bills. The total the government owes barely changes. What changes is the mix: a little less long-dated paper in private hands, a little more short-dated paper, and better liquidity in corners of the market where dealers struggle to trade.

That last effect was the original point. When the Treasury restarted regular buybacks in 2024, it presented them as a tool for market functioning and cash management, not for steering yields. Using them to hold down the 10-year asks the programme to do a job it was not designed for. The operations are small next to the stream of new coupon debt the Treasury sells every month, and the securities they retire are the ones investors were least keen to hold anyway.

TWO ENGINES, NEITHER TOUCHED

The sell-off has two drivers, and buybacks reach neither. The first is the path of policy. The Fed raised its target range to 3.75–4.00 per cent on 18 September, and futures now put the odds of another rise in October at roughly two in three. The data keep handing arguments to the hawks. New orders for core capital goods rose more than forecast in August, and the University of Michigan's September survey showed a sharp jump in the inflation that households expect.

The second driver is the term premium, the extra return investors demand for locking money into long bonds instead of rolling over bills. It has widened because the reasons to worry about holding duration have piled up. Federal deficits remain large at a time of low unemployment, which means heavy issuance with no recession to excuse it. Oil prices have been pushed up by the confrontation with Iran over the Strait of Hormuz, and talks between Washington and Tehran have produced no concrete progress. Each week without a deal keeps an inflation risk built into the price of long-dated debt.

Buybacks do nothing about either. They do not change what the Fed will do in October, and they do not change how much the government must borrow over the next decade. At best they shave a few basis points off the yields of the specific old bonds being bought.

WHAT HISTORY SUGGESTS

Governments have tried to bend the long end before. In September 2011 the Fed announced a $400 billion programme to sell short-dated Treasuries and buy long ones, nicknamed Operation Twist after a 1961 predecessor. Long yields did fall in the months that followed, though the euro-zone crisis was driving money into Treasuries at the same time. In that episode the Fed was a large, price-insensitive buyer, inflation was low and investors were hungry for safe assets. The current buybacks share none of those conditions. They are small, they are paid for with more borrowing, and they arrive while inflation expectations are rising.

The Treasury's earlier buybacks, between 2000 and 2002, are an even weaker guide. Washington was running budget surpluses then and was retiring debt it no longer needed. Today it buys back old bonds with the proceeds of new ones.

WHO PAYS AT 5.2 PER CENT

The damage spreads well beyond bond funds. Mortgage rates are priced off the 10-year with a spread on top, so buyers face borrowing costs that have shut many of them out of the housing market. Companies that locked in cheap funding in 2020 and 2021 are now rolling that debt at far higher coupons, the refinancing problem this column described on Friday. Banks that bought long securities in the low-rate years are watching their paper losses grow again.

The largest borrower of all is the Treasury itself. Every rise in yields feeds into the cost of new issuance and, over time, into the interest bill on the whole debt. That widens the deficit that helped push yields up in the first place, a loop that buybacks cannot break. The clear winners are savers in bills and money-market funds, who are earning around 4 per cent with no duration risk and little reason to move out along the curve.

THE CASE FOR A TURN

The best argument against further losses is that high yields eventually slow the economy they are pricing. Housing and small-business borrowing are already sensitive to rates at this level, and a weak jobs report could pull expectations for more Fed hikes back quickly. Pension funds and insurers, which match long-dated liabilities, find government bonds yielding above 5 per cent far more attractive than they did at 2 per cent, and foreign reserve managers may take the same view. Those buyers will put a floor under prices at some point. For now none of them is in a hurry, because inflation expectations are still drifting up and the Fed has not signalled it is done.

WHAT TO WATCH THIS WEEK

The calendar is heavy. August's personal consumption expenditures price index, the Fed's preferred inflation gauge, comes out this week alongside figures on personal income and spending. The ISM surveys of manufacturing and services follow, and the September jobs report lands on Friday. A hot inflation reading or strong payrolls would lift the odds of an October hike further. Any movement in the Iran talks would show up first in oil and then in break-even inflation rates. Further out, the Treasury's next quarterly refunding statement, due in early November, will show whether it plans to lean more heavily on bills to relieve the long end. That would be a far bigger lever than buybacks.

Buybacks are a plumbing tool being asked to do a policy job. They can make old bonds easier to trade, but they cannot change how much Washington borrows or what investors expect inflation to be. Unless this week's inflation and jobs data give the Fed a reason to pause, the 10-year is more likely to test higher levels this autumn than to settle back below 5 per cent, and the Treasury's shopping list will not change that.

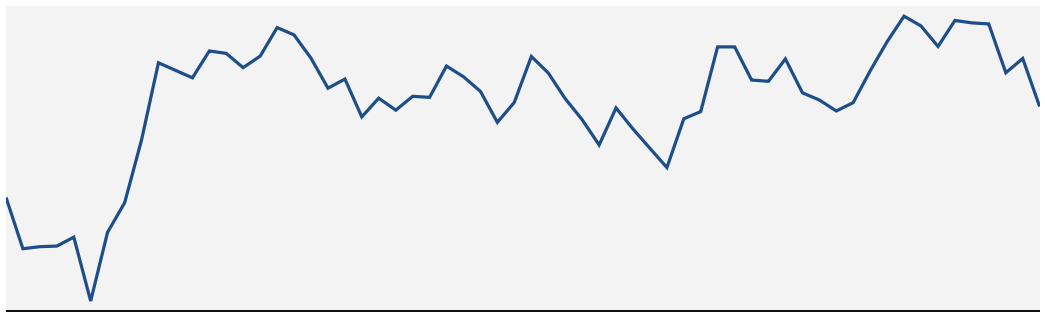
World Markets

Closing levels to Friday, October 16, 2026. Changes over five and 21 trading sessions. Source: Yahoo Finance.

	Last	Week	Month
GLOBAL STOCKS			
S&P 500	7,659	-1.9%	+0.3%
Dow Jones Industrials	52,002	+0.7%	+0.4%
Nasdaq Composite	26,140	-4.5%	-1.1%
FTSE 100	10,882	+3.1%	+0.6%
Nikkei 225	65,324	-5.4%	+2.1%
Hang Seng	24,187	-0.1%	-2.1%
COMMODITIES			
Brent crude, $/bbl	109.86	+4.9%	+4.8%
WTI crude, $/bbl	101.41	+10.4%	-0.5%
Gold, $/oz	4,181	-0.8%	-5.0%

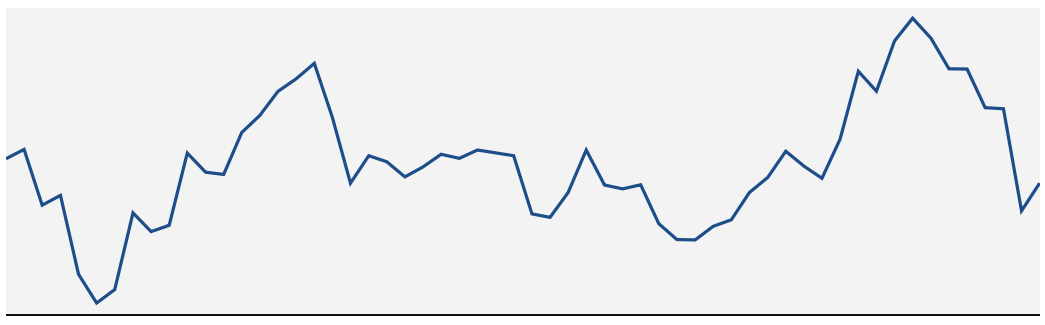
	Last	Week	Month
US RATES			
US 3-month bill, %	4.07	+1bp	+11bp
US 5-year Treasury, %	4.90	-12bp	+10bp
US 10-year Treasury, %	5.10	-15bp	+15bp
US 30-year Treasury, %	5.44	-16bp	+14bp

S&P 500, last three months



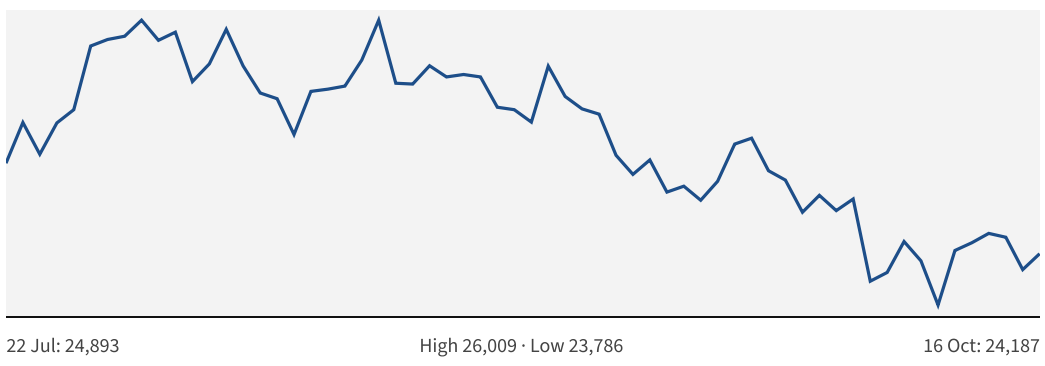
22 Jul: 7,499 High 7,819 · Low 7,316 16 Oct: 7,659

Nikkei 225, last three months



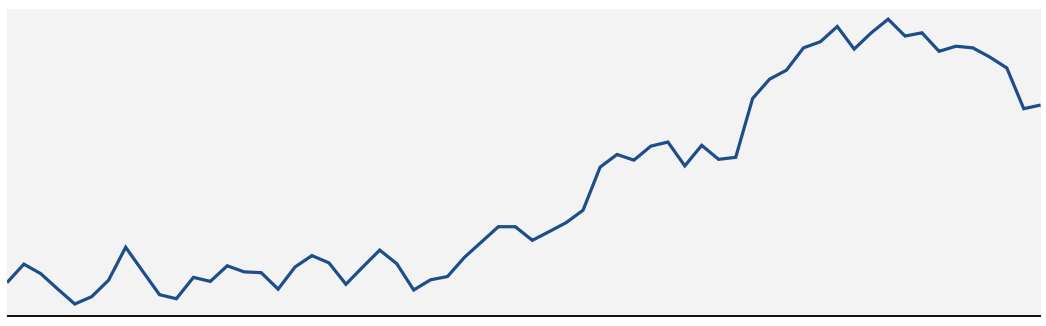
22 Jul: 66,116 High 70,684 · Low 61,434 16 Oct: 65,324

Hang Seng, last three months



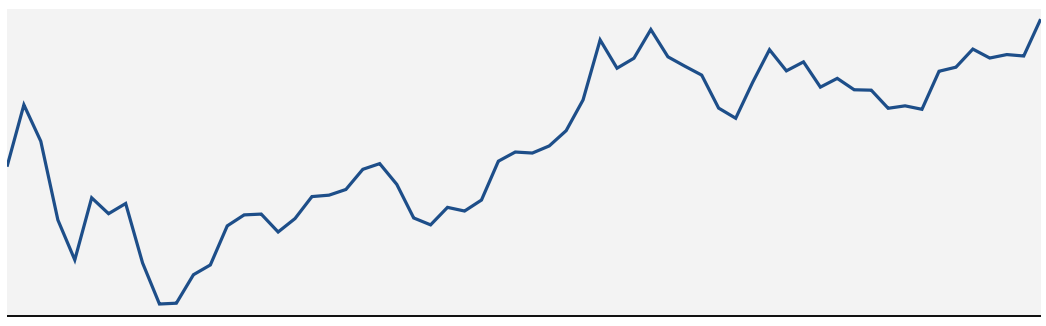
22 Jul: 24,893 High 26,009 · Low 23,786 16 Oct: 24,187

US 10-year Treasury, %, last three months



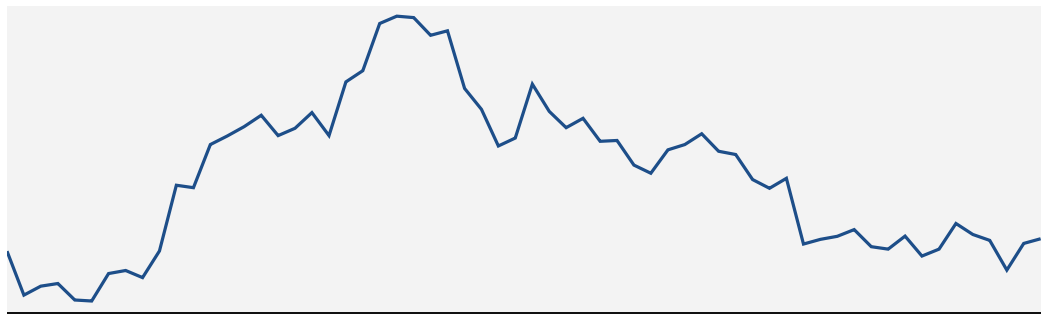
22 Jul: 4.66 High 5.31 · Low 4.60 16 Oct: 5.10

Brent crude, $/bbl, last three months



22 Jul: 94.07 High 109.86 · Low 79.36 16 Oct: 109.86

Gold, $/oz, last three months



22 Jul: 4,152 High 4,698 · Low 4,036 16 Oct: 4,181